



FY 2011
Office of Head Start
Monitoring Protocol & Guides:
Fiscal Management



Introduction to the FY 2011 Office of Head Start Monitoring Protocol: Fiscal Management

Head Start's goal in this area is for programs to have systems in place that provide for effective control over and accountability for grant funds, property, and other assets. In order to assess the level of compliance in this area, reviewers should be prepared to conduct a comprehensive analysis of the program's systems for budget development and monitoring, financial reporting, processing of funds from the Payment Management Systems, ensuring insurance coverage, timekeeping, salary and compensation, and communicating with governing bodies. Their analysis will also include reviewing documentation of non-Federal share and examining the pre-site documents from the Regional Office, in addition to an emphasis on transaction analysis and an enhanced review of facilities, purchases, construction, and major renovation.

Overview of FY 2011 Protocol

The Office of Head Start (OHS) presents the FY 2011 Monitoring Protocol, which is the tool that guides the on-site monitoring review. The Protocol identifies the key requirements (Performance Standards and regulations) against which to monitor grantee performance. Grantee data gathered through the monitoring process provides OHS with information on performance, thereby informing determinations regarding program quality and compliance.

The Protocol has been revised for FY 2011 to place a greater emphasis on the quality of the delivery and management of program services. The focus of the Protocol is on making connections between program systems and collecting data on critical indicators of success in promoting school readiness. The Protocol organizes elements of program performance standards, the Head Start Act, and other regulations into 11 sections against which compliance will be monitored:

1. Health Services
2. Nutrition Services
3. Safe Environments
4. Transportation Services
5. Disabilities Services
6. Mental Health Services
7. Family and Community Partnerships
8. Education and Early Childhood Development (ECD)
- 9. Fiscal Management**
10. Program Design and Management
11. Eligibility, Recruitment, Selection, Enrollment, and Attendance (ERSEA)

In FY 2011, the Monitoring Protocol includes a subset of questions used to monitor the performance of ARRA grantees; this subset is called the ARRA Protocol. ARRA Protocol questions are a subset of the 11 Protocol sections and are integrated into the Guides where appropriate. These questions can be found in the *FY2011 OHS ARRA Monitoring Protocol and Guides*.



Organization of the Protocol

The FY 2011 Monitoring Protocol introduces a new organizing framework designed to reorient review teams to better synthesize information about discrete program requirements into a richer understanding of grantee performance. The Protocol now includes **Compliance Framework** statements. Each Compliance Framework groups together related program requirements to make it easier to observe how the information connects and to stimulate analysis of how the program's systems support the delivery of services. The Compliance Framework statements focus attention on the "big picture" – they highlight key objectives that programs should achieve in their service delivery and management system design and implementation.

Protocol sections that monitor each of the primary areas of service delivery (i.e., Health, Nutrition, Mental Health, Disabilities, Family and Community Partnership), Education and Early Childhood Development, and the Program Design and Management section have been organized under Compliance Frameworks. Protocol sections that are not organized around Frameworks are organized around Compliance Indicators

Each Compliance Framework statement contains a series of **Compliance Indicators** (CI) (formerly referred to as Compliance Questions) that serve as the markers to assess whether the grantee is meeting the objectives outlined within the Compliance Framework statement. Compliance Indicators facilitate integration of information to gain a deeper understanding of grantee performance and focus on one or more performance standards and/or citations of the Head Start Act. Compliance Indicators are the specific statements that collectively serve as makers to measure grantee performance. All protocol sections contain Compliance Indicators.

The **Fiscal Management** section of the Protocol is divided into six (6) subsections with Compliance Indicators for each subsection:

- Financial Management Systems
- Reporting
- Procurement
- Compensation
- Cost Principles
- Facilities and Property

Targeted Questions (TQ) connect to the overall Framework and Compliance Indicators to facilitate the monitoring process for each content area. Review teams must respond to Targeted Questions using the prompts that outline the minimum "evidence gathering" requirements for measuring Compliance Indicators. The Targeted Questions indicate the people to interview, questions to ask, information to retrieve from documents, observations to conduct, and management systems to analyze and summarize in developing an understanding of grantee compliance with each Compliance Indicator.



Monitoring Guides

The Protocol also contains organizing tools called **Guides**. The Guides align the TQs with the way reviewers collect information in the field. Guides pull together all of the TQs related to a particular method and source of evidence collection (e.g. Health Staff Interview; review of the Community Assessment). The responses to each TQ in a Guide are linked to the appropriate Compliance Framework and Indicator.

Included in the monitoring process for FY 2011 are Service Area and Systems Summary Analyses Guides. The Service Area and Systems Summary Analyses are intended to guide reviewers in assessing how well the program develops and implements plans, monitors its progress towards achieving its goals, records and tracks information, reports out on its activity, and communicates internally among staff and with families. The summary analyses prepared for each protocol section will be used by reviewers to determine how well the program is performing with respect to each management system—Planning, Ongoing Monitoring, Record Keeping, and Reporting and Communication, Governance and Internal Controls. The summaries also will support training and technical assistance for the grantee after the review.

The **Fiscal Management** section contains the following Guides:

- Fiscal Pre-site Document Review
- Fiscal Document Review
- Fiscal Officer Interview
- Fiscal Observations
- Transaction Guide—Journal Entries
- Transaction Guide—Payroll
- Transaction Guide—Non-Personnel Costs
- Transaction Guide—Non-Federal Share
- Transaction Guide—Facilities
- Fiscal Officer—Staff File Review
- Fiscal Management Summary Analyses

The guides and protocol are designed to be customized to reflect the type of program being reviewed (e.g., center-based, family child care, home-based, migrant), and the types of children or populations being served by the program (e.g., infants and toddlers, preschool-age children, pregnant women and new mothers). When specific questions only apply to a specific program option or population, an “Applies To” marker will be located below the question (e.g., *APPLIES TO: Center-based programs*).



Emphasis for FY 2011

Head Start monitoring focuses on assessing grantee performance in terms of the quality of the services programs deliver to enrolled children and families, and the quality and sustainability of the management systems established to support these services. To ensure transparency and consistency in the monitoring process, the Protocol guides review teams to collect information in a systematic manner to provide a clear, comprehensive picture of grantee performance in relation to these requirements. In FY 2011, OHS monitoring focuses on the big picture, telling each grantee's story by synthesizing information collected during the on-site review into descriptions of how each program delivers services to Head Start children and families.



FY 2011 Office of Head Start Monitoring Protocol: Fiscal Management

**Fiscal Management****Fiscal Management Compliance Indicator 1A**

Do the program's financial management systems provide for effective control over and accountability for grant funds, property, and other assets and ensure they are used solely for authorized purposes?

45 CFR Part 74 for institutes of higher education (colleges and universities), hospitals, nonprofit organizations and commercial organizations;

45 CFR Part 92 for State, local, and Tribal governments.

This question relates to the "control activities" aspect of internal controls. Control activities are the policies, procedures, techniques, and mechanisms that enforce management directives, such as the process of adhering to requirements for budget development and execution. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.

74.21(b)(3), 92.20(b)(3),
74.21(b)(4), 92.20(b)(4),
1301.32(b), 230, App B(8)(j)

Targeted Questions for Fiscal Management Compliance Indicator 1A**Observation: Fiscal Observations**

- In conducting the onsite portion of the review, were problems noted in physical control, such as open access to check stock or purchase orders, cash not under lock and key, or open access to mechanical check signers or signature stamps?

Transaction: Journal Entries (General Ledger)

- Was the journal entry supported by appropriate documentation and approved by a person other than the preparer? Please describe the evidence you observed in arriving at your conclusion.
- Do the grantee's fiscal records differentiate development and administrative costs from program costs to insure that development and administrative costs do not exceed 15 percent of the total grant (unless a waiver granting a higher percentage has been received)?

Document Review: Bank Reconciliations & General Ledger

- Review two consecutive bank statements.
 - Are bank statements reconciled to the general ledger?
 - Are reconciling items (including outstanding checks) resolved within a reasonable time frame?
 - Do checks clear the bank within a reasonable amount of time after the issue date?
 - Are the signatures on cancelled checks those of individuals who the Board has authorized as signers?

Document Review: Salaries, Payroll & Other Compensation

- Does the organization have an incentive compensation (bonus) plan which governs the payment of bonuses and is it consistently followed?



Document Review: Aged Payables

- Review a report or listing of aged payables. Are bills and invoices paid on time (not more than 30 days past due unless disputed)?

Interview: Fiscal Officer (Aged Payables)

- How does the program ensure that bills and invoices are paid on-time?

Transaction: Facilities (Construction of Facilities)

- For construction of facilities, does the grantees financial reporting separately identify expenses for one-time funds awarded for construction, purchase, or major renovation?

Transaction: Facilities (Purchased Facilities)

- For a purchased facility, does the grantees financial reporting separately identify expenses for one-time funds awarded for construction, purchase, or major renovation?

Transaction: Facilities (Major Renovations of Facilities)

- For major renovations to property, does the grantees financial reporting separately identify expenses for one-time funds awarded for construction, purchase, or major renovation?

Interview: Fiscal Officer (Control Activities)

- What are the procedures for using automated check signers and signature plates?
- Does the program perform periodic cost projections to ensure that funds will be adequate to carry out the Head Start/Early Head Start program, as described in the approved funding application?
- If you have a small number of fiscal staff, how do you compensate for the program's inability to segregate duties?

Interview: Fiscal Officer (Compensation)

- Explain any compensation or bonus agreements/plans in effect in your program. These may apply to management or employees.
- What method does the program use to ensure that funds are available for payment of any vested accrued leave owed to employees of the grantee? Can you show me any fiscal manuals or other applicable written procedures, trust agreements, bank or trust account statements and SF-269 that document this method?

**Fiscal Management****Fiscal Management Compliance Indicator 1B**

APPLIES ONLY TO: Grantees

Has the grantee made changes to the budget that required prior approval before receiving such approval in writing?

45 CFR Part 74 for institutes of higher education (colleges and universities), hospitals, nonprofit organizations and commercial organizations;

45 CFR Part 92 for State, local, and Tribal governments.

All changes requiring prior approval must be submitted in writing to the Regional Grants Officer. If the change involves a budget revision, the grantee must identify the changes on an SF-424 and an SF-424A. As provided in 45 CFR 74.25(K) and 45 CFR 92.30(A)(1), Regional Office approval of changes must be in writing and signed by either the Grants Management Officer.

74.25, 92.30

Targeted Question for Fiscal Management Compliance Indicator 1B**Document Review: Financial Assistance Award (FAA)**

- Were supplemental or one-time funds (e.g., program improvement) awarded by ACF for specific purposes subject to restrictive language in the FAA?
- Were the restricted supplemental or one-time funds used by the grantee solely for the purpose indicated in the grant award?
- Did the grantee receive Regional Office permission to use the funds for a purpose other than the purpose indicated in the grant award?

Document Review: Regional Office Correspondence

- Identify all equipment purchases made with Head Start funds with a unit cost in excess of \$25,000. Does evidence exist of Regional Office approval on the FAA or through written Regional Office correspondence?

Document Review: Grant Application Budget Instrument (GABI)

- Review the grant application for the current award period, the organizational chart and relevant RO correspondence. For key personnel, did the Regional Office approve the hiring? Are any key personnel different than those reflected on the grant application? If so, was Regional Office approval obtained for individuals hired in these key positions?
PDM10.2

Document Review: Bank Reconciliations & General Ledger

- A concern was identified related to the use of one-time funds. Review the general ledger to determine whether the financial records establish that one-time funds were expended for purposes listed in the FAA.

Interview: Fiscal Officer (Inventory and Equipment Records)

- How do you ensure that written approval is obtained before using Head Start funds to purchase equipment costing more than \$25,000 not provided in the approved budget?



Fiscal Management

Fiscal Management Compliance Indicator 1C

Does the program minimize the time elapsing between the advances of funds from the Payment Management System and disbursement of those funds? Has the program avoided drawing down Head Start funds in excess of documented cash requirements?

45 CFR Part 74 for institutes of higher education (colleges and universities), hospitals, nonprofit organizations and commercial organizations;

45 CFR Part 92 for State, local, and Tribal governments.

For nonprofit organizations, procedures must be written. For State, local and Tribal government entities, procedures need not be written.

74.22(b)(2), 92.20(b)(7)

Targeted Question for Fiscal Management Compliance Indicator 1C

Pre-Site: SF-425

- Do any of the SF-425 reports reflect significant Federal cash balance?

Document Review: Bank Reconciliations & General Ledger

- From a recent SF-425 report, select a sample of draw-downs (focusing on transaction samples at the beginning and end of the funding period) and verify that the grantee has appropriate documentation to support the requested amount. Based on the sample, does the grantee minimize the time elapsing between receipt of funds and disbursement so that cash advances are as close as administratively feasible to the actual disbursement?

Interview: Fiscal Officer (Financial Reports/Accounting Systems)

- Your review of SF-425 reports indicated a significant Federal cash balance. Ask the fiscal officer: Can you explain the significant cash balance?
- Concerns were identified regarding time elapsing between receipt of funds and disbursement. Can you provide an explanation as to why disbursements were delayed?



Fiscal Management

Fiscal Management Compliance Indicator 1D

Have Head Start funds been used by the grantee to pay the cost of expenses which should have been paid using another funding source (directly or by allocation) or allowed another program to use Head Start funds in the nature of a temporary loan to cover another program's costs or expenses?

2 CFR Part 230 for nonprofit organizations;

2 CFR Part 225 for State, local, and Tribal governments;

2 CFR Part 220 for educational institutions.

230, App A(A)(2)(a), 225, App A(C)(1)(a), 225, App A(C)(1)(d), 220, App A(C)(2)

Targeted Question for Fiscal Management Compliance Indicator 1D

Document Review: Bank Reconciliations & General Ledger

- Review accounts receivable for the Head Start program(s). Are funds due from any other funding sources within the grantee organization?
- Scan the general ledger, payroll journal, and adjusting journal entries. Is there an indication the award has been charged for costs unrelated to Head Start?
- The fiscal officer has indicated that the organization has one or more programs operating at a deficit, has lost a program or is awaiting reimbursement in other programs. Review the program's general ledger and deposit account statements for the past two months to identify any transfer of funds to other programs or transfers of funds which are unrelated to program operations (focus on any transfers >25,000). Describe any transfers of funds between the Head Start program and other programs.

Interview: Fiscal Officer (Inter-fund Borrowing)

- Does the organization have one or more of the following: programs operating at a deficit, loss of programs, or delayed reimbursement in other programs?
- If yes, describe the circumstances of the programs operating at a deficit, loss of programs, or delayed reimbursement in other programs.
- Transfers of funds between the Head Start program and other programs were identified. Follow up with the fiscal officer: Can you explain any transfers of funds between the Head Start program and other programs?

**Fiscal Management****Fiscal Management Compliance Indicator 1E**

Do the program and any delegate agencies obtain, manage, and maintain appropriate insurance coverage for risks and liabilities and use insurance to manage risks?

1309.11 Applies only to private nonprofit organizations.

2 CFR Part 230 for nonprofit organizations;

2 CFR Part 225 for State, local, and Tribal governments;

2 CFR Part 220 for educational institutions.

74.31, 1309.23(a)(2),
1301.11(a), 1301.11(b)

Targeted Question for Fiscal Management Compliance Indicator 1E**Document Review: Insurance Policies**

- Does insurance cover liability for accidents on grantee and delegate agency premises?
Applies To: Private Nonprofit Organizations
- Does the organization have transportation liability insurance, including collision coverage?
Applies To: Private Nonprofit Organizations
- Does the organization insure equipment (including vehicles) purchased using Head Start funds?
74.31
- If student accident insurance is not a separate policy and is unidentifiable in the declaration page of a master policy, does confirmation exist from the insurer of accident coverage for Head Start students?
1301.11(a)
Applies To: Private Nonprofit Organizations
- Do the payables files show the organization is current on its premium payments?
- Are officials and employees of private nonprofit organizations authorized to disburse program funds bonded or covered by a policy of insurance including employee dishonesty coverage?
Applies To: Private Nonprofit Organizations
- Does the grantee receive insurance rebates and credits allocable to Head Start?
- If yes, are those rebates and credits reflected in the grantee's financial records as cash refunds or cost reductions, respectively?
- Review property records to identify facilities purchased or which have undergone major renovations using Head Start funds. Do the insurance policies reflect appropriate coverage for these assets?

Interview: Fiscal Officer (Insurance Policies)

- How does the program determine what amount of insurance is reasonable to cover liability for accidents on premises and for transportation activities engaged in by the program.
Applies To: Private Nonprofit Organizations
- How does the financial system ensure that insurance rebates and credits allocable to Head Start are applied as a cost reduction or cash refund?



- A concern was identified regarding authorization of officials and employees to disburse program funds. Ask the fiscal officer: Are officials and employees authorized to disburse program funds bonded or covered by a policy of insurance including employee dishonesty coverage? Can you show me documentation of coverage?

Applies To: Private Nonprofit Organizations



Fiscal Management

Fiscal Management Compliance Indicator 1F

Has the program addressed or is in the process of addressing any financial findings or weaknesses identified during the grantee's past three OMB Circular A-133 Audits?

74.26, 92.26

Targeted Question for Fiscal Management Compliance Indicator 1F

Pre-Site: Regional Office Fiscal Form

- Were any Regional Office concerns expressed in connection with any of the grantee's OMB Circular A-133 Audits?
- If yes, describe the concern and any onsite follow-up expected by the Regional Office in connection with any of the grantee's OMB Circular A-133 Audits.

Observation: Fiscal Observations

- Conduct follow up (document review, interview, etc) to respond to the concerns in connection with any of the grantee's OMB Circular A-133 Audits raised by the Regional Office. Record your answer in detail, and provide details on any documents that were provided in response to your question.

**Fiscal Management****Fiscal Management Compliance Indicator 2A**

Are program financial reports and accounting records current, accurate, and available? Do they contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income? Reports include:

- Internal Revenue Service (IRS) 941 (Employer's Quarterly Federal Tax Return);
- IRS 990 (Return of Organization Exempt from Income Tax);
- IRS 5500 (Annual Return/Report of Employee Benefit Plan); and
- Other official Federal, State, and local reports as required by applicable law

45 CFR Part 74 for nonprofit organizations and educational institutions (universities and colleges);

45 CFR Part 92 for State, local, and Tribal governments.

74.21(b)(1), 74.21(b)(2),
92.20(b)(1), 92.20(b)(2),
1304.23(b)(1)(i),
1304.51(h)(2)

Targeted Question for Fiscal Management Compliance Indicator 2A**Transaction: Journal Entries, Payroll and Non-Personnel Costs (General Ledger)**

- Do amounts appear to be posted to the proper accounts? Please describe the evidence you observed in arriving at your conclusion.

Document Review: USDA/CACFP Documentation

- Did the organization file USDA reports within the required timeframe?
- For the most recently completed award period, compare budgeted USDA reimbursement to the actual amount received. If significant variances exist, can program staff provide reasonable explanations for the variances?
- Review the grantee's enrollment records, meal counts and most current USDA (CACFP) compliance/monitoring report or CACFP audit to determine whether available USDA funds are fully utilized by the program. Describe the evidence you reviewed in arriving at your conclusion.
- Is the grantee spending Head Start funds to purchase food service, groceries, eating and serving supplies or other items that could be paid with USDA funds if properly reported and claimed by the grantee?
- Does the grantee's most current USDA (CACFP) compliance/monitoring report or CACFP audit identify any areas of noncompliance related to fiscal issues?

Pre-Site: IRS Forms/Documentation

- Review the IRS Form 990. Was it due but not filed by the grantee?
Applies To: Nonprofit Organizations

Document Review: IRS Forms/Documentation

- Are any IRS Form 941 reports due, but not filed by the grantee?



- Review of the IRS Form 990 indicated that it was due but not filed. Was an extension obtained? Indicate the original due date and the extension due date, if an extension was obtained.
Applies To: Nonprofit Organizations
- On a sample basis, trace tax deposits reflected on the IRS Form 941 to evidence of payment (i.e., check or electronic transfer) on the bank statement. Was the organization current in its payroll taxes?
- Review IRS Correspondence file. Does the correspondence indicate any unresolved compliance issues such as penalties for late, missing or incomplete returns? If yes, describe all issues in detail.

Document Review: SF-269 Financial Reports

- For the most recently closed and audited Head Start award period, is the final SF-269 report reconciled to the audited financial statements and to the general ledger? Are reasonable explanations furnished for reconciling items?

Interview: Fiscal Officer (Financial Reports/Accounting Systems)

- How often are balance sheet accounts reconciled to subsidiary ledgers or external statements to substantiate that account balances are correct? Which accounts are reconciled?

Interview: Fiscal Officer (Audits)

- Describe the organization's process for review of annual OMB A-133 audits of delegate agencies and for addressing any issues of concern identified in the audit.
Applies To: Grantees with Delegates



Fiscal Management

Fiscal Management Compliance Indicator 2B

Are monthly financial status reports provided to program governing bodies, policy groups, and staff to advise them and to control program quality and maintain program accountability?

642(c)(1)(E)(i),
642(c)(1)(E)(ii),
642(c)(1)(E)(iii),
642(d)(2)(A),
642(c)(1)(E)(iv)(V)(bb)

Targeted Question for Fiscal Management Compliance Indicator 2B

Document Review: Financial Reports/Accounting Systems

- Are financial reports presented in logical groupings and with sufficient detail to allow the reader to understand the financial operations of the organization and the Head Start award?
- Are financial reports generated to support the management of organizational components for which they are responsible?
- Review reports provided to the governing body.
 - How much time elapsed between the end of the reporting period and the date on which reports were presented to the governing body? Did the organization present timely financial reports to the governing body?
 - Do financial reports include information on credit card expenditures? Describe the information contained in the reports related to the review of charges and authorization of signatures.
- How do the program and financial operations reports separately identify grant funds received and expended for each Early Head Start and Head Start Award (including separate identification of ARRA COLA and QI funding, if applicable)?

Interview: Policy Council or Policy Committee Member (Reporting)

- What financial and program operations reports do you receive? How and when do you receive them?
PDM4.1
Asked By: PDM
- What information do these reports include? Are they clear and understandable? If you have questions on the report, who answers your questions?
PDM4.1
Asked By: PDM
- How do the reports help you monitor the program's performance and progress?
PDM4.1
Asked By: PDM

Interview: Head Start/Early Head Start Director (Reporting)

- What financial and programmatic reports do you receive? How often do you receive the reports and how do you use them?
PDM8.1
Asked By: PDM



- What information do the reports you receive include? Discuss your review of copies of reports received by the Head Start director. Are they clear and comprehensive? Are they received on a consistent basis? Do they contain information that assists the director, in monitoring program quality and compliance?
[PDM8.1](#)
Asked By: PDM
- What other reports do you receive? How do the reports you receive help you keep track of the program's performance and progress towards program goals?
[PDM8.1](#)
Asked By: PDM

Interview: Governing Body Members (Reporting)

- What financial and program operations reports do you receive? How and when do you receive them?
[PDM4.1](#)
Asked By: PDM
- What information do these reports include? Are they clear and understandable? If you have questions on the report, who answers your questions?
[PDM4.1](#)
Asked By: PDM
- How do the reports help you monitor the program's performance and progress?
[PDM4.1](#)
Asked By: PDM
- How do you determine that credit card expenditures reflect costs that are necessary and reasonable for program operations?
[PDM4.1](#)
Asked By: PDM



Fiscal Management

Fiscal Management Compliance Indicator 3A

Does the program have a written code or standards of conduct governing the performance of its employees engaged in awarding and administering contracts?

45 CFR Part 74 for institutes of higher education (colleges and universities), hospitals, nonprofit organizations and commercial organizations;

45 CFR Part 92 for State, local, and Tribal governments.

74.42, 92.36(b)(3)

Targeted Question for Fiscal Management Compliance Indicator 3A

Pre-Site: Procurement Policies and Procedures

- Does the organization maintain a code of conduct for employees involved in contract award and administration, which ensures that no conflict of interest, real or apparent, occurs during contract award and administration? Please describe the evidence you observed in arriving at your conclusion.



Fiscal Management

Fiscal Management Compliance Indicator 3B

Does the program have written procurement procedures that provide, at a minimum, all requirements specified in the applicable Federal statutes?

45 CFR Part 74 for institutes of higher education (colleges and universities), hospitals, nonprofit organizations and commercial organizations;
45 CFR Part 92 for State, local, and Tribal governments.

92.36(c)(3), 74.44(a)

Targeted Question for Fiscal Management Compliance Indicator 3B

Document Review: Procurement Policies and Procedures

- Do the organization's written procurement procedures address the items required by 74.44(a)(1-3) or 92.36(c)(3), as appropriate for the type of institution being reviewed (e.g., nonprofit, commercial, state or Tribal)? Please describe the evidence you observed in arriving at your conclusion.

Interview: Fiscal Officer (Procurement)

- A concern was identified related to procurement procedures. Ask the fiscal officer: Has the organization adopted the required procurement procedures (as found in 74.44(a)(1-3) or 92.36(c)(3), depending on the organization type)?



Fiscal Management

Fiscal Management Compliance Indicator 3C

Are procurement transactions conducted in a manner that provides for open and free competition?

45 CFR Part 74 for institutes of higher education (colleges and universities), hospitals, nonprofit organizations and commercial organizations;
45 CFR Part 92 for State, local, and Tribal governments.

74.43, 92.36(c), 74.48

Targeted Question for Fiscal Management Compliance Indicator 3C

Transaction: Non-Personnel Costs (General Ledger)

- Is procurement consistent with the organization's written policies and procedures? Please describe the evidence you observed in arriving at your conclusion.
- Is justification for sole source procurements documented? Please describe the evidence you observed in arriving at your conclusion.
- Does documentation show the organization obtained price quotations or bids as required by their own policies? Please describe the evidence you observed in arriving at your conclusion.

Transaction: Non-Personnel Costs (Transactions >\$100,000)

- Is there a bid guarantee from each bidder equivalent to five percent of the bid price?
- Is there a performance bond on the part of the contractor for 100 percent of the contract price?
- Is there a payment bond on the part of the contractor for 100 percent of the contract price?
- Were bonds obtained from companies holding certificates of authority as acceptable sureties pursuant to 31 CFR part 223?
- Is there a provision to the effect that the recipient, the HHS awarding agency, the U.S. Comptroller General, or any of their duly authorized representatives, shall have access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts and transcriptions?

Interview: Fiscal Officer (Procurement)

- Describe the program's procurement procedures for purchases below \$100,000.
- Describe the program's procurement procedures for purchases above \$100,000.

**Fiscal Management****Fiscal Management Compliance Indicator 3D**

Are the program's contracts and delegate agency agreements current, available, signed, and dated with a complete description of the performance and financial expectations of the grantee and the other parties? Can the grantee demonstrate that contractual agreements were met?

2 CFR Part 230 for nonprofit organizations;

2 CFR Part 225 for State, local, and Tribal governments;

2 CFR Part 220 for educational institutions.

230, App A(A)(2)(g), 225, App A(C)(1)(j), 220, App A(A)(2)(e), 74.48(a), 74.48(b)

Targeted Question for Fiscal Management Compliance Indicator 3D**Transaction: Non-Personnel Costs (Transactions >\$100,000)**

- Did the grantee maintain current, signed and dated contracts with a description of the services to be provided, an estimate of the time required, the rate of compensation, and provisions for termination?
- Did the contract entered into by the grantee adequately describe the performance and any financial expectations of the grantee and the other parties to the contract?
- Were contracted goods and services provided and compensation/payment requirements met by both parties? Describe the evidence you observed in arriving at your conclusion.

Document Review: Delegate Agency Agreements

- Review delegate agency agreements. Do the delegate agency agreements clearly state what the program is receiving under the delegate agency agreement? Do the delegate agency agreements adequately describe the performance and any financial expectations of the grantee and the delegate agency?
Applies To: Grantees with Delegates
- Does the agreement state that the grantee continues to have legal and fiscal responsibility for the grant? Is title to property retained by the grantee?
Applies To: Grantees with Delegates

**Fiscal Management****Fiscal Management Compliance Indicator 4A**

Are the program's original time records prepared properly and signed by the individual employee or the responsible supervisory official having first-hand knowledge of the actual work performed?

2 CFR Part 230 for nonprofit organizations;

2 CFR Part 225 State, local, and Tribal governments;

2 CFR Part 220 for educational institutions.

230, App B(8)(m)(1), 230, App B(8)(m)(2), 225, App B(8)(h)(1), 225, App B(8)(h)(4), 220, App A(J)(10)(a), 220, App A(J)(10)(b), 220, App A(J)(10)(d)

Targeted Question for Fiscal Management Compliance Indicator 4A**Transaction: Payroll (Salaries, Payroll & Other Compensation)**

- Does evidence exist of payroll approval by a responsible organization official? Please describe the evidence you observed in arriving at your conclusion.
- Do the hours reported on the timesheet reflect the hours recorded in the payroll journal? Please describe the evidence you observed in arriving at your conclusion.
- Does the salary distribution documented in the general ledger reflect the distribution of hours documented in the personnel activity report? Please describe the evidence you observed in arriving at your conclusion.
FIS5C
- Was the timesheet signed by the employee or a supervisory official having first-hand knowledge of the actual work performed? Please describe the evidence you observed in arriving at your conclusion.

**Fiscal Management****Fiscal Management Compliance Indicator 4B**

Are program staff charged to the grant compensated (salary and other forms of compensation) at a rate at or below Executive Level II?

2 CFR Part 230 for nonprofit organizations;

2 CFR Part 225 for State, local, and Tribal government;

2 CFR Part 220 for educational institution.

Consider gross pay from all funding sources.

Federal Executive Level II rates:

- Cannot exceed \$179,700 through December 31, 2010.
- Could not exceed \$177,000 in 2009.
- Could not exceed \$172,200 in 2008.

230, App A(A)(2)(b), 225, App A(C)(1)(d), 220, App A(C)(2), 653(b)(1), 653(b)(2)(A), 653(b)(2)(B)

Targeted Question for Fiscal Management Compliance Indicator 4B**Pre-Site: IRS Forms/Documentation**

- Does the IRS 990 for the prior period show any employee with compensation exceeding the Level II rate?
Applies To: Nonprofit Organizations

Document Review: Salaries, Payroll & Other Compensation

- Do W-2 statements show any employee with compensation exceeding the Level II rate?
- For employees identified as having compensation exceeding the Executive Level II rate, is any portion of their compensation paid from Head Start funds or claimed as non-Federal share?
- For all employees identified as having compensation exceeding the Executive Level II rate and who are charged to Head Start or claimed as non-Federal share, list their names, job titles, amount of compensation charged to Head Start or claimed as non-Federal share and total compensation amounts. Provide details on which documents were used to identify this information



Fiscal Management

Fiscal Management Compliance Indicator 4C

Are program staff wages charged to the grant reasonable and supported by appropriate wage comparability data?

2 CFR Part 230 for nonprofit organizations;

2 CFR Part 225 for State, local, and Tribal governments.

230, App B(8)(c), 225, App B(8)(b), 653(a)

Targeted Question for Fiscal Management Compliance Indicator 4C

Document Review: Salaries, Payroll & Other Compensation

- Has the wage comparability study been revised within the last 3 years? Are the positions identified in the wage comparability study reasonably comparable to the organization's Head Start positions? Are comparisons based on the labor markets in which the organization competes?

Interview: Fiscal Officer (Wage Comparability Study)

- How does the grantee's compensation system ensure that employees are not compensated at a rate less than the minimum wage prescribed in the Fair Labor Standards Act?
- How does the financial system ensure that wages are consistent with wages paid for similar work in the grantee and delegate's other activities or to wages paid for similar work in the labor markets in which the organization competes?
- Were any cost of living adjustment (COLA) funds received by the grantee distributed in accordance with the terms of the grantee's funding award?
- Were any cost of living adjustment (COLA) increases received by the grantee applied to the grantee's pay scale as well as being distributed to existing employees?

Transaction: Payroll (Wage Comparability Study)

- Is the employee pay rate for Head Start work supported by the wage comparability study (or comparable to similar positions within the grantee or delegate organization)? Please describe the evidence you observed in arriving at your conclusion.

**Fiscal Management****Fiscal Management Compliance Indicator 5A**

Has the program implemented procedures to determine allowability, allocability, and reasonableness of costs as required?

45 CFR Part 74 for institutes of higher education (colleges and universities), hospitals, nonprofit organizations and commercial organizations;

45 CFR Part 92 for State, local, and Tribal governments.

2 CFR Part 230 for nonprofit organizations;

2 CFR Part 225 for State, local, and Tribal governments;

2 CFR Part 220 for educational institutions.

Reasonable:

230(A)(A)(3)

225(A)(C)(1)(a)

220(A)(C)(2)

220(A)(C)(3)

Necessary:

230(A)(A)(3)(a)

225(A)(C)(1)(a)

Allocable:

230(A)(A)(2)(a)

225(A)(C)(1)(b)

220(A)(C)(4)(a)

Documentation of costs:

230(A)(A)(2)(g)

225(A)(C)(1)(j)

This question also relates to the "control environment" aspect of internal controls.

FOR NONPROFIT ORGANIZATIONS ONLY: Verify that the grantee and delegate have written procedures for determining the allowability, allocability, and reasonableness of costs in accord with 2 CFR Part 230 and 74.21(b)(6).

74.21(b)(6), 74.28, 92.23(a), 92.20(b)(5), 230, App A(A)(3), 230, App A(A)(3)(a), 230, App A(A)(2)(a), 225, App A(C)(1)(a), 225, App A(C)(1)(b), 225, App A(C)(1)(j), 220, App A(C)(2), 220, App A(C)(4)(a), 230, App A(A)(2)(g), 220, App A(C)(3)

Targeted Question for Fiscal Management Compliance Indicator 5A**Pre-Site: Regional Office Fiscal Form**

- Were any Regional Office concerns expressed in connection with cost allocation by the grantee?
- If yes, describe the concern and any onsite follow-up expected by the Regional Office in connection with cost allocation.

Observation: Fiscal Observations

- Conduct follow up (document review, interview, etc.) to respond to the concerns in connection with cost allocation raised by the Regional Office. Record your answer in detail, and provide details on any documents that were provided in response to your question.



Transaction: Journal Entries and Non-Personnel Costs (General Ledger)

- Was the cost posted to the appropriate award period? Please describe the evidence you observed in arriving at your conclusion.

Transaction: Non-Personnel Costs (General Ledger)

- Did documentation of receipt or acceptance by the program exist before the invoice was processed for payment? Please describe the evidence you observed in arriving at your conclusion.
- Was the cost supported by a contract, if appropriate? Please describe the evidence you observed in arriving at your conclusion.
- Are approvals of the documents supporting this transaction consistent with the approval process described in the organization's accounting policies and procedures? Is the approver someone other than the person making the order? Was a purchase order completed (if required by the organization's policies and procedures)? Please describe the evidence you observed in arriving at your conclusion.

Transaction: Non-Federal Share (General Ledger)

- Was the non-Federal share posted to the appropriate award period? Please describe the evidence you observed in arriving at your conclusion.
FISD

Transaction: Payroll (General Ledger)

- Was the work performed in the award period in which the related payroll cost was charged? Please describe the evidence you observed in arriving at your conclusion.

Transaction: Non-Personnel Costs (Allowable, Reasonable, Allocable)

- Is the cost allowable under the applicable cost principles? Please describe the evidence you observed in arriving at your conclusion.

Transaction: Journal Entries (Allowable, Reasonable, Allocable)

- Does the cost appear to be necessary and reasonable for operation of the Head Start program? Please describe the evidence you observed in arriving at your conclusion.
- Was the cost allowable under the applicable cost principles? Please describe the evidence you observed in arriving at your conclusion.
- Was the invoice adequately descriptive to support the allowability of the cost? Please describe the evidence you observed in arriving at your conclusion.

Transaction: Journal Entries and Non-Federal Share (Allowable, Reasonable, Allocable)

- Was the cost allocated to Head Start in proportion to the benefit received (as documented by the organization's cost allocation plan or other method of allocation)? Please describe the evidence you observed in arriving at your conclusion.

Interview: Fiscal Officer (Allowable, Reasonable, Allocable)

- A concern related to ensuring allowability, allocability, and reasonableness of costs was identified in the transaction guide. Ask the fiscal officer to describe the process for reviewing and approving charges before obligation or payment.



Transaction: Non-Federal Share (Allowable, Reasonable, Allocable)

- Does the claimed non-Federal share appear to be necessary for operation of the Head Start program and used to achieve program objectives? Please describe the evidence you observed in arriving at your conclusion.
FIS5D, FIS5E

Transaction: Non-Personnel Costs (Credit Card Transactions)

- Does the grantee maintain documentation with adequate description to support the allowability and allocability of the transaction? Please describe the evidence you observed in arriving at your conclusion.
- Is the credit card use consistent with the organization's written policy? Please describe the evidence you observed in arriving at your conclusion.

Document Review: Bank Reconciliations & General Ledger

- Does the organization have procedures for determining the allowability, allocability, and reasonableness of costs in accordance with the applicable cost principles? Please describe the evidence you observed in arriving at your conclusion.

Transaction: Payroll (Job Descriptions)

- For staff with shared duties, examine payroll records and job descriptions. Do job descriptions describe duties and responsibilities that are reflected in the distribution of wage and appear to be of benefit to the Head Start program? Please describe the evidence you observed in arriving at your conclusion.
FIS5C

**Fiscal Management****Fiscal Management Compliance Indicator 5B**

APPLIES ONLY TO: Grantees with an approved negotiated indirect cost rate.

If the grantee charges indirect costs, are those costs supported by an approved negotiated indirect cost rate?

2 CFR Part 230 for nonprofit organizations;

2 CFR Part 225 for State, local, and Tribal governments;

2 CFR Part 220 for educational institutions.

230, App A(E)(2)(c), 230, App A(E)(2)(d), 230, App A(E)(2)(e), 230, App A(E)(2)(f), 230, App A(E)(2)(g), 225, App A(H), 220, App A(G)(11)(g)

Targeted Question for Fiscal Management Compliance Indicator 5B**Pre-Site: SF-269 Financial Reports**

- If the grantee has an established indirect cost agreement, is the total indirect cost on the most recent Final SF-269 computed per the approved indirect cost rate agreement?

Pre-Site: Regional Office Fiscal Form

- Does the grantee have a current, approved negotiated indirect cost rate agreement?
- Were any Regional Office issues of concern identified in connection with indirect costs for this grantee?
FIS5C
- If yes, describe the concern and any onsite follow-up expected by the Regional Office in connection with indirect costs for this grantee.
FIS5C

Observation: Fiscal Observations

- Conduct follow up (document review, interview, etc) to respond to the concerns in connection with indirect costs raised by the Regional Office. Record your answer in detail, and provide details on any documents that were provided in response to your question.
FIS5C

Document Review: SF-269 Financial Reports

- Are the indirect costs charged to Head Start included in the grantee's development and administrative cost for the period? Please describe the evidence you observed in arriving at your conclusion.

**Fiscal Management****Fiscal Management Compliance Indicator 5C**

APPLIES ONLY TO: Grantees who do not have an approved negotiated indirect cost rate OR grantees that have an approved negotiated indirect cost rate and also have other allocated costs.
If the program shares costs with other programs, does the program utilize a method for allocating costs that reflects the relative degree of benefit for all programs receiving the benefit of the allocated cost?

2 CFR Part 230 for nonprofit organizations;

2 CFR Part 225 for State, local, and Tribal governments;

2 CFR Part 220 for educational institutions.

230, App A(A)(4)(a)(2), 225, App A(C)(3)(a), 220, App A(C)(4)(a)

Targeted Question for Fiscal Management Compliance Indicator 5C**Pre-Site: Regional Office Fiscal Form**

- Is the grantee required to allocate costs between funding sources?
- Were any Regional Office issues of concern identified in connection with indirect costs for this grantee?
FIS5B
- If yes, describe the concern and any onsite follow-up expected by the Regional Office in connection with indirect costs for this grantee.
FIS5B

Observation: Fiscal Observations

- Conduct follow up (document review, interview, etc) to respond to the concerns in connection with indirect costs raised by the Regional Office. Record your answer in detail, and provide details on any documents that were provided in response to your question.
FIS5B

Document Review: Cost Allocation Plan

- Does the grantee have a written cost allocation plan?
- If no, does the grantee have a method of allocating costs which reflects the relative degree of benefit for all programs sharing in the allocated cost? Describe the program's method of allocating costs.
- Does the cost allocation plan identify staff who have shared duties in both the Head Start program and a program other than Head Start?
- If yes, describe in detail the grantee's methods for allocating costs for personnel.
- Document the full names of staff who have shared duties in both the Head Start program and a program other than Head Start.
- Does the grantee allocate the cost of facilities with shared use by both the Head Start program and other programs?
- If yes, describe in detail the grantee's methods for allocating costs for facilities use or occupancy.



- Document the address of the shared facility or facilities and which programs other than Head Start share use of the facility or facilities.
- Does the grantee allocate the cost of buses or other equipment of substantial value (>\$25,000) for which use is shared by the Head Start program and other programs?
- Describe in detail the grantee's methods for allocating costs for transportation (buses) or other shared equipment (>\$25,000).
- Provide a description of the shared item(s) of equipment (>\$25,000) or buses and which programs other than Head Start share use of the item(s).
- Does the grantee's allocated cost for each allocated position and other allocated costs reasonably reflect the relative benefit to the Head Start program of the allocated position or cost?

Transaction: Payroll (Salaries, Payroll & Other Compensation)

- Does the salary distribution documented in the general ledger reflect the distribution of hours documented in the personnel activity report? Please describe the evidence you observed in arriving at your conclusion.
FIS4A

Interview: Fiscal Officer (Allocation)

- Does the organization have programs other than Head Start, Early Head Start, and USDA Child and Adult Care Food Program (CACFP)?

Transaction: Payroll (Job Descriptions)

- For staff with shared duties, examine payroll records and job descriptions. Do job descriptions describe duties and responsibilities that are reflected in the distribution of wage and appear to be of benefit to the Head Start program? Please describe the evidence you observed in arriving at your conclusion.
FIS5A

**Fiscal Management****Fiscal Management Compliance Indicator 5D**

Is grantee- and delegate-claimed non-Federal participation verifiable from documentary records?

45 CFR Part 74 for institutes of higher education (colleges and universities), hospitals, nonprofit organizations and commercial organizations;

45 CFR Part 92 for State, local, and Tribal governments.

74.23(a)(1), 74.23(d),
74.23(h)(2), 74.23(i)(1),
74.23(i)(2), 92.24(c)(1),
92.24(b)(6), 92.24(d),
74.23(h)(1), 74.23(h)(3),
92.24(g)

Targeted Question for Fiscal Management Compliance Indicator 5D**Pre-Site: Regional Office Fiscal Form**

- Has the grantee received a waiver of non-Federal share?
- Identify the grantee's applicable non-Federal share requirement.
- Were any Regional Office concerns expressed in connection with the grantee's applicable non-Federal share requirement?
- If yes, describe the concern and any onsite follow-up expected by the Regional Office in connection with the non-Federal share requirement.

Observation: Fiscal Observations

- Conduct follow up (document review, interview, etc) to respond to the concerns in connection with the non-Federal share requirement raised by the Regional Office. Record your answer in detail, and provide details on any documents that were provided in response to your question.

Transaction: Non-Federal Share (General Ledger)

- Was the non-Federal share posted to the appropriate award period? Please describe the evidence you observed in arriving at your conclusion.
FIS5A

Transaction: Non-Federal Share (Allowable, Reasonable, Allocable)

- Does the claimed non-Federal share appear to be necessary for operation of the Head Start program and used to achieve program objectives? Please describe the evidence you observed in arriving at your conclusion.
FIS5A, FIS5E

Pre-Site: SF-269 Financial Reports

- Review the supporting schedule for Non-federal share reported on the SF-269 for the most recently completed award period. Is the total amount on the grantee's supporting schedule at least as much as the amount reported on the SF-269? Please describe the evidence you observed in arriving at your conclusion.

Transaction: Non-Federal Share (Donated Time/Services)

- For volunteer services, is the nature and duration of the activity, service date, location in which the service was performed and volunteer signature included in the documentation? Please describe the evidence you observed in arriving at your conclusion.



- Are donated services or volunteer time documented by the same methods (to the extent feasible) used to support time worked by grantee or delegate employees?
- If applicable to the type of donated service, are claims supported by records identifying number of children served and the service provided?

Transaction: Non-Federal Share (Donated Space)

- For donated space, is the claimed value supported by a current appraisal performed by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the recipient? Please describe the evidence you observed in arriving at your conclusion.

FIS5E

**Fiscal Management****Fiscal Management Compliance Indicator 5E**

Can the program demonstrate that its claimed non-Federal match through third-party contributions of volunteer services, goods, or supplies is allowable under the applicable cost principles and reasonable for accomplishing program objectives efficiently?

45 CFR Part 74 for institutes of higher education (colleges and universities), hospitals, nonprofit organizations and commercial organizations;

45 CFR Part 92 for State, local, and Tribal governments.

The use of cash and in-kind contributions must meet the same standards applicable to an expenditure of grant funds. They must support the accomplishment of program objectives, not benefit individual children or their families.

74.23(a)(3), 74.23(a)(4),
74.23(d), 74.23(f),
92.24(a)(1), 92.24(b)(7)(i),
92.24(c)(1), 74.23(a)(5)

Targeted Question for Fiscal Management Compliance Indicator 5E**Transaction: Non-Federal Share (Allowable, Reasonable, Allocable)**

- Does the claimed non-Federal share appear to be necessary for operation of the Head Start program and used to achieve program objectives? Please describe the evidence you observed in arriving at your conclusion.
FIS5A, FIS5D
- Has the grantee established that this non-Federal share donation has not already been counted towards a match for another Federal award? Please describe the evidence you observed in arriving at your conclusion.
- Describe the valuation methodology for this non-Federal share transaction. Provide a detailed description of the information used by the grantee to determine the value of this non-Federal share transaction.

Document Review: Non-Federal Share

- Has the grantee claimed the use of parent in-home space as non-Federal share?
- If yes, describe the valuation methodology used for this non-Federal share transaction.
- Has the grantee identified transportation as an element of non-Federal share?
- Is yes, do grantee records describe who provided the transportation, the purpose of the transportation, mileage and rate applied to determine value?
- Did the grantee claim non-Federal share for any transportation provided by parents or any transportation provided in an automobile, van or other noncompliant vehicle not meeting transportation services requirements?
- Does the grantee identify any non-Federal match contributions in excess of \$25,000 in value for a single contribution of volunteer time or donated services, cash, supplies, equipment or other donated property in your sample?

Transaction: Non-Federal Share (Donated Time/Services)

- For volunteer services, is the rate used based on an internal scale established by the grantee or delegate agency or prevailing wages in the labor market in which the grantee or delegate competes? Please describe the evidence you observed in arriving at your conclusion.
- Do volunteer records describe the provision of services benefiting the Head Start program and the service date or dates? Please describe the evidence you observed in arriving at your conclusion.



- Is documentation maintained to establish that the value claimed is reasonable for the type of service and the community in which the service is provided? Please describe the evidence you observed in arriving at your conclusion.
- For services donated by employees of other organizations, is time for comparable services to the program valued at the volunteer's actual pay rate? Please describe the evidence you observed in arriving at your conclusion.

Transaction: Non-Federal Share (Donated Space)

- For donated space, is the claimed value supported by a current appraisal performed by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the recipient? Please describe the evidence you observed in arriving at your conclusion.
- FIS5D

Transaction: Non-Federal Share (Cash Donations)

- For cash matches, has the grantee established that this claimed match is not from funds paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching? Please describe the evidence you observed in arriving at your conclusion.
- For cash matches, was the cash counted as match when expended, not when received? Please describe the evidence you observed in arriving at your conclusion.

Transaction: Non-Federal Share (NFS Contributions >\$25,000)

- For non-Federal match contributions from a single source exceeding \$25,000, does the grantee maintain records which demonstrate that the contributions are allowable, allocable and reasonable, including the source, method of valuation and program use of the contributions? Please describe the evidence you observed in arriving at your conclusion.

**Fiscal Management****Fiscal Management Compliance Indicator 6A**

If the program owns facilities purchased or constructed using Head Start grant funds or made major renovations to facilities with Head Start grant funds, is documentation available to show that the facilities transactions were approved by the Regional Grants Management Officer and complied with Federal regulations?

2 CFR Part 230 for nonprofit organizations;

2 CFR Part 225 for State, local, and Tribal governments;

2 CFR Part 220 for educational institutions.

1309.21(d), 1309.31(b),
1309.10, 1309.11,
1309.22(a), 1309.23(a),
1309.23(b), 1309.40

Targeted Question for Fiscal Management Compliance Indicator 6A**Fiscal Observations: Notices of Federal Interest**

- If the grantee has purchased a modular unit situated on property owned by a third party, have they conspicuously posted on the modular unit a Notice of Federal Interest in compliance with 1309.31?

Pre-Site: Regional Office Fiscal Form

- Was the grantee awarded funds for purchase of a facility?
FIS6B
- Was the grantee awarded funds for construction of a facility?
FIS6B
- Was the grantee awarded funds for major renovation of a facility?
FIS6B
- Were any concerns expressed by the Regional Office in connection with the grantee's construction, purchase or major renovations of any facility?
- If yes, describe the concern and any onsite follow-up expected by the Regional Office in connection with the grantee's construction, purchase or major renovations of any facility.

Observation: Fiscal Observations

- Conduct follow up (document review, interview, etc) to respond to the concerns in connection with grantee's construction, purchase or major renovations of any facility raised by the Regional Office. Record your answer in detail, and provide details on any documents that were provided in response to your question.

Document Review: Fixed Asset Listing

- Is title to any facility purchased or constructed using Head Start grant funds held in the name of a third party other than the grantee (including delegate agencies)?

Transaction: Facilities (Construction of Facilities)

- Was written approval from the Regional Office received prior to commencement of construction of the facility to which the expense relates?
- For construction of facilities, is there title insurance on the property and physical destruction insurance, including flood insurance, as required in 1309.23(a)?



- For construction of facilities, is there proof of required insurance submitted to the Regional Office, within five days as required in 1309.23(b)?
- For construction of facilities, is there correspondence or other documents showing that a copy of the recorded Notice of Federal Interest to the Regional Office as required in 1309.40?
- For construction of facilities, if the property been pledged as collateral to any bank of lender for the purpose of securing a loan, review the loan agreement to determine whether:
 - Permission of the Regional Office was received in advance of encumbering the property and if the loan agreement contains the provisions required in 1309.22?
 - Federal interest in the property was subordinated to the interest of the lender with the written consent of the funding agency? and;
 - Do the loan documents provide the funding agency with required rights in the event of default, withdrawal, or termination?

FIS6D
- For construction of facilities, is there a compliant Notice of Federal Interest filed on record to protect the federal interest in the facility, as required in 1309.21?

Transaction: Facilities (Purchased Facilities)

- For a purchased facility, was an application submitted and written approval from the Regional Officer received prior to purchase of the facility to which the expense relates?
Applies To: Purchased Facilities (Modular or Non-Modular Unit)
- For a purchased facility, is there title insurance on the property (real estate) and physical destruction insurance, including flood insurance, as required in 1309.23(a) on the acquired facility?
Applies To: Purchased Facilities (Modular or Non-Modular Unit)
- For a modular unit located on property not owned by the grantee, does the grantee have an easement, right-of-way or rental agreement to allow it sufficient access to the modular unit as required in 1309.31(b)?
Applies To: Purchased Facilities (Modular Unit)
- For a purchased facility, is there correspondence or other documents showing that certified copies of the deed, lease, loan instrument, mortgage or any other legal document related to the purchase of the facility, including the recorded Notice of Federal Interest, were sent to the Regional Office within 10 days of their execution as required in 1309.40?
Applies To: Purchased Facilities (Modular or Non-Modular Unit)
- For a purchased facility, if the property been pledged as collateral to any bank or lender for the purpose of securing a loan, review the loan agreement to determine whether:
 - Permission of the Regional Office was received in advance of encumbering the property and if the loan agreement contains the provisions required in 1309.22?
 - Federal interest in the property was subordinated to the interest of the lender with the written consent of the funding agency? and;
 - Do the loan documents provide the funding agency with required rights in the event of default, withdrawal, or termination?

FIS6D

Applies To: Purchased Facilities (Modular or Non-Modular Unit)
- For a purchased facility (other than a modular unit), is there a compliant Notice of Federal Interest filed on record to protect the federal interest in the facility, as required in 1309.21?
Applies To: Purchased Facilities (Non-Modular Unit)



Transaction: Facilities (Major Renovations of Facilities)

- For major renovation to property owned by the grantee, is there a compliant Notice of Federal Interest filed on record to protect the federal interest in the facility, as required in 1309.21?
Applies To: Major Renovation to Property Owned by the Grantee
- For major renovation to property owned by the grantee, was a copy of the recorded Notice of Federal Interest and proof of submission to the Regional Office?
Applies To: Major Renovation to Property Owned by the Grantee
- For major renovation to grantee owned property, if the property been pledged as collateral to any bank of lender for the purpose of securing a loan, review correspondence to determine if permission of the Regional Office was received in advance of encumbering the property and if the loan agreement contains the provisions required in 1309.22.
[FIS6D](#)
Applies To: Major Renovation to Property Owned by the Grantee
- For major renovation to property not owned by the grantee, does the grantee's lease or other arrangement for occupancy provide the funding agency with the required right to designate a new lessee in the event of a default, withdrawal or termination?
Applies To: Major Renovation to Property Not Owned by the Grantee
- If the major renovation is on a facility owned by a third party, does the grantee have a lease or other arrangement which protects the Federal interest in the facility and ensures the grantee's undisturbed use and possession of the facility as described in 1309.21(d)(1) and (2)?
Applies To: Major Renovation to Property Not Owned by the Grantee
- For major renovation to property, is there correspondence or other written approval by Regional Office of the lease or other right of occupancy received before renovations were commenced?
Applies To: Major Renovation to Property Owned

**Fiscal Management****Fiscal Management Compliance Indicator 6B**

Does the program have a process to ensure all contracts exceeding \$2,000 for constructing, renovating, or repairing buildings used by Head Start programs comply with the Davis-Bacon Act?

The Davis-Bacon Act requires that any contractor hired to construct, renovate, or repair a Head Start facility (if the contract exceeds \$2,000) must pay all laborers and mechanics engaged in the construction, renovation, or repair "prevailing rate" wages. Under the provisions of the Act, contractors or their subcontractors are to pay workers employed directly on the work site no less than the locally prevailing wages and fringe benefits paid on projects of a similar character. The Davis-Bacon Act directs the Secretary of Labor to determine such local prevailing wage rates. (Department of Labor, <http://www.dol.gov/esa/programs/DBRA>)

1309.54

Targeted Question for Fiscal Management Compliance Indicator 6B**Pre-Site: Regional Office Fiscal Form**

- Was the grantee awarded funds for purchase of a facility?
FIS6A
- Was the grantee awarded funds for construction of a facility?
FIS6A
- Was the grantee awarded funds for major renovation of a facility?
FIS6A

Document Review: Construction, Renovation and Repair Contracts

- Does the program have Head Start-funded contracts exceeding \$2000 for constructing, renovating or repairing buildings (facilities)?
- Review building construction, renovation, and repair contracts; bid and award materials, contract, purchase orders; DOL Wage Determination, WH-347 Payroll Form and any other wage payment files. For Head Start-funded contracts exceeding \$2,000 for constructing, renovating or repairing buildings (facilities):
 - Did the grantee provide an assurance that all laborers and mechanics employed by contractors or subcontractors be paid wages not less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor (DOL)?
 - In each solicitation or award did the grantee include a copy of the current prevailing wage determination issued by the U. S. Department of Labor (DOL) and condition award of the contract on the contractor's acceptance of the wage determination?
 - Did the grantee obtain payroll certifications or other proof of wages paid from the contractor?
 - Were wages paid by contractors or subcontractors to any individuals engaged in the construction, renovation or repairs under the contract at or above the established prevailing wage?
- A concern was identified related to Head Start-funded contracts for construction, renovation, or building repairs. Ask the fiscal officer: How does the financial system assure that laborers and mechanics are paid prevailing rate wages on Head Start-funded construction, renovation, or repair contacts exceeding \$2,000?



Transaction: Facilities (Construction of Facilities)

- For construction of facilities, did the grantee obtain documentation from construction contractors and subcontractors to ensure compliance with the Davis-Bacon Act prevailing wage requirement?

**Fiscal Management****Fiscal Management Compliance Indicator 6C**

Does the program meet property management standards for equipment purchased using Head Start funds, including conducting a physical inventory every 2 years and maintaining vehicle titles?

45 CFR Part 74 for nonprofit organizations and educational institutions (universities and colleges);

45 CFR Part 92 for State, local, and Tribal governments.

74.34(g), 92.31, 92.32,
74.34(f)(1)(i), 74.34(f)(1)(ii),
74.34(f)(1)(iii),
74.34(f)(1)(iv),
74.34(f)(1)(v),
74.34(f)(1)(vi),
74.34(f)(1)(vii),
74.34(f)(1)(viii), 74.34(f)(3),
74.32(c)

Targeted Question for Fiscal Management Compliance Indicator 6C**Observation: Fiscal Observations**

- Test whether property records are accurate, complete and up to date. Select a few items from the property records, including at least one item that was purchased within the last year. For review purposes, focus on buses and other vehicles, large playground equipment, communication/electronic systems and items valued in excess of \$25,000. However, property worth at least \$5,000 must be included in the property records. Physically observe the asset to determine if the listed property is present in the program. Describe what you observed.
- Test whether property records are accurate, complete and up to date. Look around the program and find a few items, focusing on those that were acquired during the last year, including more costly items such as buses and other vehicles, large playground equipment, communication/electronic systems and items valued in excess of \$25,000. Review receipts, purchase agreements or other records indicating date of purchase and value of items. Trace back to property records to determine if property over \$5,000 in value is properly included in the property records. Is the inventory document signed by the person or persons who observed the inventory? Describe what you observed.

Document Review: Regional Office Correspondence

- Do the grantee's records demonstrate that it obtains approval prior to disposition of equipment and facilities subject to a federal interest?

Interview: Fiscal Officer (Inventory and Equipment Records)

- How does the financial system ensure that records are maintained for all equipment with a unit cost of \$5,000 or more?
- A concern has been identified related to property records. Physical observations and property record reviews are not consistent with the property observed. Can you explain the inconsistencies which have been identified?

**Fiscal Management****Fiscal Management Compliance Indicator 6D**

APPLIES ONLY TO grantees that have mortgaged, pledged or encumbered property acquired (in whole or in part) with Head Start funds or has been the subject of major renovations using Head Start funds.

If the grantee has entered into any mortgage or other loan agreements using as collateral property which was acquired (in whole or in part) with Head Start funds or was the subject of a major renovation, did the grantee obtain Regional Office advanced permission and include required language in the mortgage or other loan agreement?

45 CFR Part 74 for nonprofit organizations and educational institutions (universities and colleges);

45 CFR Part 92 for State, local, and Tribal governments.

74.37, 92.31(b), 1309.21(b), 1309.21(f)

Targeted Question for Fiscal Management Compliance Indicator 6D**Document Review: Loan Agreements**

- Review loan agreements to determine whether loans are secured by assets and property owned by the organization. Are the agreements secured by either all assets of the organization or by assets acquired or improved with Head Start funds?
- The property pledged as collateral was subject to a federal interest. Was the federal interest subordinated to the rights of the lender with written permission of the Regional Office in a loan agreement which requires the lender to give written and telephonic notice to ACF in the event of a default in payment by the grantee?

Document Review: Regional Office Correspondence

- A concern was identified related to using property purchased or renovated with Federal funds as collateral. Review Regional Office correspondence to determine whether written approval was obtained before using property purchased or renovated with Federal funds as collateral.

Document Review: Bank Reconciliations & General Ledger

- Does the balance sheet show notes or mortgages payable? If yes, describe.
- Does the program's OMB A-133 audit show notes or mortgages payable? If yes, describe.

Transaction: Facilities (Construction of Facilities)

- For construction of facilities, if the property been pledged as collateral to any bank or lender for the purpose of securing a loan, review the loan agreement to determine whether:
 - Permission of the Regional Office was received in advance of encumbering the property and if the loan agreement contains the provisions required in 1309.22?
 - Federal interest in the property was subordinated to the interest of the lender with the written consent of the funding agency? and;
 - Do the loan documents provide the funding agency with required rights in the event of default, withdrawal, or termination?

FIS6A



Transaction: Facilities (Purchased Facilities)

- For a purchased facility, if the property been pledged as collateral to any bank or lender for the purpose of securing a loan, review the loan agreement to determine whether:
 - Permission of the Regional Office was received in advance of encumbering the property and if the loan agreement contains the provisions required in 1309.22?
 - Federal interest in the property was subordinated to the interest of the lender with the written consent of the funding agency? and;
 - Do the loan documents provide the funding agency with required rights in the event of default, withdrawal, or termination?

FIS6A

Applies To: Purchased Facilities (Modular or Non-Modular Unit)

Transaction: Facilities (Major Renovations of Facilities)

- For major renovation to grantee owned property, if the property been pledged as collateral to any bank of lender for the purpose of securing a loan, review correspondence to determine if permission of the Regional Office was received in advance of encumbering the property and if the loan agreement contains the provisions required in 1309.22.

FIS6A

Applies To: Major Renovation to Property Owned by the Grantee

Interview: Fiscal Officer (Rental or Occupancy Agreements)

- A concern was identified related to rental or occupancy arrangements for the program entered into with related parties. How does the financial system ensure that the cost of space charged against the grant or claimed as non-federal share by the grantee does not exceed costs such as depreciation or use allowance, plus maintenance, taxes, and insurance?

FIS6E

**Fiscal Management****Fiscal Management Compliance Indicator 6E**

APPLIES ONLY TO grantees with leases, donated space or other property transactions with a related party.

Did the program properly account for any rental or property transactions with related parties (i.e., less than arms length relationships)?

2 CFR Part 230 for private nonprofit organizations;

2 CFR Part 225 for State, local, and Tribal governments;

2 CFR Part 220 for educational institutions.

A transaction is between related parties if parties to the agreement share family members (either individually or through ability to influence the organization) are a parent and subsidiary organization, have overlapping directors and officers or are a grantee and a delegate agency of the grantee.

230, App B(43)(c), 225, App B(37)(c), 220, App A(J)(43)(c)

Targeted Question for Fiscal Management Compliance Indicator 6E**Document Review: Leases & Rent Documents**

- Were any leases or occupancy agreements entered into between the grantee and a related party (e.g. the grantee and a delegate agency or a grantee and one of its programs or a property holding company related to the grantee)? Describe the basis for your conclusion that the parties are related.
- A concern was identified related to cost of space. Review the financial records of the grantee and the related party. Is the cost of space charged against the grant or claimed as non-federal share by the grantee limited to depreciation or use allowance, plus maintenance, taxes, and insurance? Please describe the evidence you observed in arriving at your conclusion.

Pre-Site: IRS Forms/Documentation

- Does the IRS Form 990 identify any related parties under the organization's control (or a related party controlling the organization)?
Applies To: Nonprofit Organizations
- Are any leases with related parties identified in the review of the IRS Form 990?
Applies To: Nonprofit Organizations

Interview: Fiscal Officer (Rental or Occupancy Agreements)

- A concern was identified related to rental or occupancy arrangements for the program entered into with related parties. How does the financial system ensure that the cost of space charged against the grant or claimed as non-federal share by the grantee does not exceed costs such as depreciation or use allowance, plus maintenance, taxes, and insurance?
FIS6D



Fiscal Management

Fiscal Management Compliance Indicator 6F

If the grantee, a related party to the grantee or a delegate agency owns any of the facilities used by the Head Start program that were not purchased with Federal funds, are occupancy charges limited to depreciation or a use allowance of 2% or less?

225, App B(11), 230, App B(11), 220, App A(J)(14)

Targeted Question for Fiscal Management Compliance Indicator 6F

Document Review: Leases & Rent Documents

- Does review of any lease or occupancy agreement or transaction detail show charges for use of grantee-owned space?

Document Review: Fixed Asset Listing

- You have identified that the grantee charges for use of space owned by the grantee, a delegate agency of the grantee or a related party to the grantee. Review fixed asset records, and record the original cost and the cost of any improvements of the property and the fee charged to Head Start. Does this charge represent only the depreciation or a use allowance of 2% or less (if the property is fully depreciated), plus maintenance, taxes and insurance?

Transaction: Non-Federal Share (Donated Space)

- For use of grantee- or delegate-owned buildings, trace entries to the source records. Are claims for use of grantee- or delegate-owned space based on depreciation or use allowance derived from the building cost reflected in the organization's records and excluding acquisition or renovation costs paid by the Federal Government? Please describe the evidence you observed in arriving at your conclusion.

Interview: Fiscal Officer (Rental or Occupancy Agreements)

- A concern has been identified related to the charges for use of space owned by the grantee, a delegate agency of the grantee or a related party to the grantee. Ask the fiscal officer: How does the financial system ensure that claims for the use or occupancy of such space are based on depreciation derived from the building cost reflected in the organization's records and excluding acquisition or renovation costs paid by the Federal Government or use allowance of 2% or less



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Fiscal Pre-site Document Review

Regional Office Fiscal Form

- Does the grantee have a current, approved negotiated indirect cost rate agreement?
FIS5B
- Is the grantee required to allocate costs between funding sources?
FIS5C
- Has the grantee received a waiver of non-Federal share?
FIS5D
- Identify the grantee's applicable non-Federal share requirement.
FIS5D
- Was the grantee awarded funds for purchase of a facility?
FIS6A, FIS6B
- Was the grantee awarded funds for construction of a facility?
FIS6A, FIS6B
- Was the grantee awarded funds for major renovation of a facility?
FIS6A, FIS6B
- Were any Regional Office concerns expressed in connection with any of the grantee's OMB Circular A-133 Audits?
FIS1F
- If yes, describe the concern and any onsite follow-up expected by the Regional Office in connection with any of the grantee's OMB Circular A-133 Audits.
FIS1F
- Were any Regional Office issues of concern identified in connection with indirect costs for this grantee?
FIS5B, FIS5C
- If yes, describe the concern and any onsite follow-up expected by the Regional Office in connection with indirect costs for this grantee.
FIS5B, FIS5C
- Were any Regional Office concerns expressed in connection with cost allocation by the grantee?
FIS5A
- If yes, describe the concern and any onsite follow-up expected by the Regional Office in connection with cost allocation.
FIS5A
- Were any Regional Office concerns expressed in connection with the grantee's applicable non-Federal share requirement?
FIS5D
- If yes, describe the concern and any onsite follow-up expected by the Regional Office in connection with the non-Federal share requirement.
FIS5D
- Were any Regional Office concerns expressed in connection with approval of key personnel?
PDM10.2



- If yes, describe the concern and any onsite follow-up expected by the Regional Office in connection with approval of key personnel.
PDM10.2
- Were any concerns expressed by the Regional Office in connection with the grantee's construction, purchase or major renovations of any facility?
FIS6A
- If yes, describe the concern and any onsite follow-up expected by the Regional Office in connection with the grantee's construction, purchase or major renovations of any facility.
FIS6A

SF-425

- Do any of the SF-425 reports reflect significant Federal cash balance?
FIS1C

Procurement Policies and Procedures

- Does the organization maintain a code of conduct for employees involved in contract award and administration, which ensures that no conflict of interest, real or apparent, occurs during contract award and administration? Please describe the evidence you observed in arriving at your conclusion.
FIS3A
- Do the organization's written procurement procedures address the items required by 74.44(a)(1-3) or 92.36(c)(3), as appropriate for the type of institution being reviewed (e.g., nonprofit, commercial, state or Tribal)? Please describe the evidence you observed in arriving at your conclusion.
FIS3B

IRS Forms/Documentation

- Review the IRS Form 990. Was it due but not filed by the grantee?
FIS2A
Applies to: Nonprofit Organizations
- Does the IRS 990 for the prior period show any employee with compensation exceeding the Level II rate?
FIS4B
Applies to: Nonprofit Organizations
- Does the IRS Form 990 identify any related parties under the organization's control (or a related party controlling the organization)?
FIS6E
Applies to: Nonprofit Organizations
- Are any leases with related parties identified in the review of the IRS Form 990?
FIS6E
Applies to: Nonprofit Organizations

SF-269 Financial Reports

- Review the supporting schedule for Non-federal share reported on the SF-269 for the most recently completed award period. Is the total amount on the grantee's supporting schedule at least as much as the amount reported on the SF-269? Please describe the evidence you observed in arriving at your conclusion.
FIS5D



- If the grantee has an established indirect cost agreement, is the total indirect cost on the most recent Final SF-269 computed per the approved indirect cost rate agreement?

FIS5B



Fiscal Document Review

Loan Agreements

- Review loan agreements to determine whether loans are secured by assets and property owned by the organization. Are the agreements secured by either all assets of the organization or by assets acquired or improved with Head Start funds?
FIS6D
- The property pledged as collateral was subject to a federal interest. Was the federal interest subordinated to the rights of the lender with written permission of the Regional Office in a loan agreement which requires the lender to give written and telephonic notice to ACF in the event of a default in payment by the grantee?
FIS6D

Financial Assistance Award (FAA)

- Were supplemental or one-time funds (e.g., program improvement) awarded by ACF for specific purposes subject to restrictive language in the FAA?
FIS1B
- Were the restricted supplemental or one-time funds used by the grantee solely for purpose indicated in the grant award?
FIS1B
- Did the grantee receive Regional Office permission to use the funds for a purpose other than the purpose indicated in the grant award?
FIS1B

Regional Office Correspondence

- Service reviewer observations of program options were inconsistent with the program options described in the approved refunding application. Did the grantee obtain prior written approval from the Regional Office for the observed program options?
PDM5.4
- A concern was identified related to using property purchased or renovated with Federal funds as collateral. Review Regional Office correspondence to determine whether written approval was obtained before using property purchased or renovated with Federal funds as collateral.
FIS6D
- Identify all equipment purchases made with Head Start funds with a unit cost in excess of \$25,000. Does evidence exist of Regional Office approval on the FAA or through written Regional Office correspondence?
FIS1B
- Do the grantee's records demonstrate that it obtains approval prior to disposition of equipment and facilities subject to a federal interest?
FIS6C

Grant Application Budget Instrument (GABI)

- Are the program options described in the approved refunding application consistent with options observed by the service area reviewers?
PDM5.4



- Does the budget allocate funds for purchase and upkeep of equipment, toys, materials, and furniture that are age appropriate, safe, and supportive of children with disabilities?
SAF1I
Applies to: Center-based or family child care programs
- Review the grant application for the current award period, the organizational chart and relevant RO correspondence. For key personnel, did the Regional Office approve the hiring? Are any key personnel different than those reflected on the grant application? If so, was Regional Office approval obtained for individuals hired in these key positions?
FIS1B, PDM10.2

Cost Allocation Plan

- Does the grantee have a written cost allocation plan?
FIS5C
- If no, does the grantee have a method of allocating costs which reflects the relative degree of benefit for all programs sharing in the allocated cost? Describe the program's method of allocating costs.
FIS5C
- Does the cost allocation plan identify staff who have shared duties in both the Head Start program and a program other than Head Start?
FIS5C
- If yes, describe in detail the grantee's methods for allocating costs for personnel.
FIS5C
- Document the full names of staff who have shared duties in both the Head Start program and a program other than Head Start.
FIS5C
- Does the grantee allocate the cost of facilities with shared use by both the Head Start program and other programs?
FIS5C
- If yes, describe in detail the grantee's methods for allocating costs for facilities use or occupancy.
FIS5C
- Document the address of the shared facility or facilities and which programs other than Head Start share use of the facility or facilities.
FIS5C
- Does the grantee allocate the cost of buses or other equipment of substantial value (>\$25,000) for which use is shared by the Head Start program and other programs?
FIS5C
- Describe in detail the grantee's methods for allocating costs for transportation (buses) or other shared equipment (>\$25,000).
FIS5C
- Provide a description of the shared item(s) of equipment (>\$25,000) or buses and which programs other than Head Start share use of the item(s).
FIS5C
- Does the grantee's allocated cost for each allocated position and other allocated costs reasonably reflect the relative benefit to the Head Start program of the allocated position or cost?
FIS5C



Bank Reconciliations & General Ledger

- Does the organization have procedures for determining the allowability, allocability, and reasonableness of costs in accordance with the applicable cost principles? Please describe the evidence you observed in arriving at your conclusion.
FIS5A
- Does the balance sheet show notes or mortgages payable? If yes, describe.
FIS6D
- Does the program's OMB A-133 audit show notes or mortgages payable? If yes, describe.
FIS6D
- Review accounts receivable for the Head Start program(s). Are funds due from any other funding sources within the grantee organization?
FIS1D
- Scan the general ledger, payroll journal, and adjusting journal entries. Is there an indication the award has been charged for costs unrelated to Head Start?
FIS1D
- From a recent SF-425 report, select a sample of draw-downs (focusing on transaction samples at the beginning and end of the funding period) and verify that the grantee has appropriate documentation to support the requested amount. Based on the sample, does the grantee minimize the time elapsing between receipt of funds and disbursement so that cash advances are as close as administratively feasible to the actual disbursement?
FIS1C
- A concern was identified related to the use of one-time funds. Review the general ledger to determine whether the financial records establish that one-time funds were expended for purposes listed in the FAA.
FIS1B
- The fiscal officer has indicated that the organization has one or more programs operating at a deficit, has lost a program or is awaiting reimbursement in other programs. Review the program's general ledger and deposit account statements for the past two months to identify any transfer of funds to other programs or transfers of funds which are unrelated to program operations (focus on any transfers >25,000). Describe any transfers of funds between the Head Start program and other programs.
FIS1D
- Review two consecutive bank statements.
 - Are bank statements reconciled to the general ledger?
 - Are reconciling items (including outstanding checks) resolved within a reasonable time frame?
 - Do checks clear the bank within a reasonable amount of time after the issue date?
 - Are the signatures on cancelled checks those of individuals who the Board has authorized as signers?FIS1A

Delegate Agency Agreements

- Review delegate agency agreements. Do the delegate agency agreements clearly state what the program is receiving under the delegate agency agreement? Do the delegate agency agreements adequately describe the performance and any financial expectations of the grantee and the delegate agency?
FIS3D
Applies to: Grantees with Delegates



- Does the agreement state that the grantee continues to have legal and fiscal responsibility for the grant? Is title to property retained by the grantee?

FIS3D

Applies to: Grantees with Delegates

Construction, Renovation and Repair Contracts

- Does the program have Head Start-funded contracts exceeding \$2000 for constructing, renovating or repairing buildings (facilities)?

FIS6B

- Review building construction, renovation, and repair contracts; bid and award materials, contract, purchase orders; DOL Wage Determination, WH-347 Payroll Form and any other wage payment files. For Head Start-funded contracts exceeding \$2,000 for constructing, renovating or repairing buildings (facilities):
 - Did the grantee provide an assurance that all laborers and mechanics employed by contractors or subcontractors be paid wages not less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor (DOL)?
 - In each solicitation or award did the grantee include a copy of the current prevailing wage determination issued by the U. S. Department of Labor (DOL) and condition award of the contract on the contractor's acceptance of the wage determination?
 - Did the grantee obtain payroll certifications or other proof of wages paid from the contractor?
 - Were wages paid by contractors or subcontractors to any individuals engaged in the construction, renovation or repairs under the contract at or above the established prevailing wage?

FIS6B

- A concern was identified related to Head Start-funded contracts for construction, renovation, or building repairs. Ask the fiscal officer: How does the financial system assure that laborers and mechanics are paid prevailing rate wages on Head Start-funded construction, renovation, or repair contracts exceeding \$2,000?

FIS6B

USDA/CACFP Documentation

- Did the organization file USDA reports within the required timeframe?
- FIS2A
- For the most recently completed award period, compare budgeted USDA reimbursement to the actual amount received. If significant variances exist, can program staff provide reasonable explanations for the variances?
- FIS2A
- Review the grantee's enrollment records, meal counts and most current USDA (CACFP) compliance/monitoring report or CACFP audit to determine whether available USDA funds are fully utilized by the program. Describe the evidence you reviewed in arriving at your conclusion.
- FIS2A
- Is the grantee spending Head Start funds to purchase food service, groceries, eating and serving supplies or other items that could be paid with USDA funds if properly reported and claimed by the grantee?
- FIS2A
- Does the grantee's most current USDA (CACFP) compliance/monitoring report or CACFP audit identify any areas of noncompliance related to fiscal issues?
- FIS2A



Financial Reports/Accounting Systems

- Are financial reports presented in logical groupings and with sufficient detail to allow the reader to understand the financial operations of the organization and the Head Start award?
FIS2B
- Are financial reports generated to support the management of organizational components for which they are responsible?
FIS2B
- Review reports provided to the governing body.
 - How much time elapsed between the end of the reporting period and the date on which reports were presented to the governing body? Did the organization present timely financial reports to the governing body?
 - Do financial reports include information on credit card expenditures? Describe the information contained in the reports related to the review of charges and authorization of signatures.FIS2B
- How do the program and financial operations reports separately identify grant funds received and expended for each Early Head Start and Head Start Award (including separate identification of ARRA COLA and QI funding, if applicable)?
FIS2B

Insurance Policies

- Does insurance cover liability for accidents on grantee and delegate agency premises?
FIS1E
Applies to: Private Nonprofit Organizations
- Does the organization have transportation liability insurance, including collision coverage?
FIS1E
Applies to: Private Nonprofit Organizations
- Does the organization insure equipment (including vehicles) purchased using Head Start funds?
FIS1E
- If student accident insurance is not a separate policy and is unidentifiable in the declaration page of a master policy, does confirmation exist from the insurer of accident coverage for Head Start students?
FIS1E
Applies to: Private Nonprofit Organizations
- Do the payables files show the organization is current on its premium payments?
FIS1E
- Are officials and employees of private nonprofit organizations authorized to disburse program funds bonded or covered by a policy of insurance including employee dishonesty coverage?
FIS1E
Applies to: Private Nonprofit Organizations
- Does the grantee receive insurance rebates and credits allocable to Head Start?
FIS1E
- If yes, are those rebates and credits reflected in the grantee's financial records as cash refunds or cost reductions, respectively?
FIS1E
- Review property records to identify facilities purchased or which have undergone major renovations using Head Start funds. Do the insurance policies reflect appropriate coverage for these assets?
FIS1E



Leases & Rent Documents

- Does review of any lease or occupancy agreement or transaction detail show charges for use of grantee-owned space?
FIS6F
- Were any leases or occupancy agreements entered into between the grantee and a related party (e.g. the grantee and a delegate agency or a grantee and one of its programs or a property holding company related to the grantee)? Describe the basis for your conclusion that the parties are related.
FIS6E
- A concern was identified related to cost of space. Review the financial records of the grantee and the related party. Is the cost of space charged against the grant or claimed as non-federal share by the grantee limited to depreciation or use allowance, plus maintenance, taxes, and insurance? Please describe the evidence you observed in arriving at your conclusion.
FIS6E

IRS Forms/Documentation

- Are any IRS Form 941 reports due, but not filed by the grantee?
FIS2A
- Review of the IRS Form 990 indicated that it was due but not filed. Was an extension obtained? Indicate the original due date and the extension due date, if an extension was obtained.
FIS2A
Applies to: Nonprofit Organizations
- Review W-2 Statements and IRS Form 1099's to determine if the grantee paid wages or made payments as an independent contractor to a member of the governing body.
PDM2.3
- On a sample basis, trace tax deposits reflected on the IRS Form 941 to evidence of payment (i.e., check or electronic transfer) on the bank statement. Was the organization current in its payroll taxes?
FIS2A
- Review IRS Correspondence file. Does the correspondence indicate any unresolved compliance issues such as penalties for late, missing or incomplete returns? If yes, describe all issues in detail.
FIS2A

Salaries, Payroll & Other Compensation

- Has the wage comparability study been revised within the last 3 years? Are the positions identified in the wage comparability study reasonably comparable to the organization's Head Start positions? Are comparisons based on the labor markets in which the organization competes?
FIS4C
- Does the organization have an incentive compensation (bonus) plan which governs the payment of bonuses and is it consistently followed?
FIS1A
- Do W-2 statements show any employee with compensation exceeding the Level II rate?
FIS4B
- For employees identified as having compensation exceeding the Executive Level II rate, is any portion of their compensation paid from Head Start funds or claimed as non-Federal share?
FIS4B



- For all employees identified as having compensation exceeding the Executive Level II rate and who are charged to Head Start or claimed as non-Federal share, list their names, job titles, amount of compensation charged to Head Start or claimed as non-Federal share and total compensation amounts. Provide details on which documents were used to identify this information

FIS4B

SF-269 Financial Reports

- For the most recently closed and audited Head Start award period, is the final SF-269 report reconciled to the audited financial statements and to the general ledger? Are reasonable explanations furnished for reconciling items?

FIS2A

- Are the indirect costs charged to Head Start included in the grantee's development and administrative cost for the period? Please describe the evidence you observed in arriving at your conclusion.

FIS5B

Fixed Asset Listing

- Is title to any facility purchased or constructed using Head Start grant funds held in the name of a third party other than the grantee (including delegate agencies)?

FIS6A

- You have identified that the grantee charges for use of space owned by the grantee, a delegate agency of the grantee or a related party to the grantee. Review fixed asset records, and record the original cost and the cost of any improvements of the property and the fee charged to Head Start. Does this charge represent only the depreciation or a use allowance of 2% or less (if the property is fully depreciated), plus maintenance, taxes and insurance?

FIS6F

Non-Federal Share

- Has the grantee claimed the use of parent in-home space as non-Federal share?

FIS5E

- If yes, describe the valuation methodology used for this non-Federal share transaction.

FIS5E

- Has the grantee identified transportation as an element of non-Federal share?

FIS5E

- Is yes, do grantee records describe who provided the transportation, the purpose of the transportation, mileage and rate applied to determine value?

FIS5E

- Did the grantee claim non-Federal share for any transportation provided by parents or any transportation provided in an automobile, van or other noncompliant vehicle not meeting transportation services requirements?

FIS5E

- Does the grantee identify any non-Federal match contributions in excess of \$25,000 in value for a single contribution of volunteer time or donated services, cash, supplies, equipment or other donated property in your sample?

FIS5E

Aged Payables

- Review a report or listing of aged payables. Are bills and invoices paid on time (not more than 30 days past due unless disputed)?

FIS1A





Fiscal Officer Interview

Allowable, Reasonable, Allocable

- A concern related to ensuring allowability, allocability, and reasonableness of costs was identified in the transaction guide. Ask the fiscal officer to describe the process for reviewing and approving charges before obligation or payment.
FIS5A

Aged Payables

- How does the program ensure that bills and invoices are paid on-time?
FIS1A

Allocation

- Does the organization have programs other than Head Start, Early Head Start, and USDA Child and Adult Care Food Program (CACFP)?
FIS5C

Financial Reports/Accounting Systems

- How often are balance sheet accounts reconciled to subsidiary ledgers or external statements to substantiate that account balances are correct? Which accounts are reconciled?
FIS2A
- Your review of SF-425 reports indicated a significant Federal cash balance. Ask the fiscal officer: Can you explain the significant cash balance?
FIS1C
- Concerns were identified regarding time elapsing between receipt of funds and disbursement. Can you provide an explanation as to why disbursements were delayed?
FIS1C

Control Activities

- What are the procedures for using automated check signers and signature plates?
FIS1A
- Does the program perform periodic cost projections to ensure that funds will be adequate to carry out the Head Start/Early Head Start program, as described in the approved funding application?
FIS1A
- If you have a small number of fiscal staff, how do you compensate for the program's inability to segregate duties?
FIS1A

Inter-fund Borrowing

- Does the organization have one or more of the following: programs operating at a deficit, loss of programs, or delayed reimbursement in other programs?
FIS1D
- If yes, describe the circumstances of the programs operating at a deficit, loss of programs, or delayed reimbursement in other programs.
FIS1D



- Transfers of funds between the Head Start program and other programs were identified. Follow up with the fiscal officer: Can you explain any transfer of funds between the Head Start program and other programs?
FIS1D

Compensation

- Explain any compensation or bonus agreements/plans in effect in your program. These may apply to management or employees.
FIS1A
- What method does the program use to ensure that funds are available for payment of any vested accrued leave owed to employees of the grantee? Can you show me any fiscal manuals or other applicable written procedures, trust agreements, bank or trust account statements and SF-269 that document this method?
FIS1A

Wage Comparability Study

- How does the grantee's compensation system ensure that employees are not compensated at a rate less than the minimum wage prescribed in the Fair Labor Standards Act?
FIS4C
- How does the financial system ensure that wages are consistent with wages paid for similar work in the grantee and delegate's other activities or to wages paid for similar work in the labor markets in which the organization competes?
FIS4C
- Were any cost of living adjustment (COLA) funds received by the grantee distributed in accordance with the terms of the grantee's funding award?
FIS4C
- Were any cost of living adjustment (COLA) increases received by the grantee applied to the grantee's pay scale as well as being distributed to existing employees?
FIS4C

Inventory and Equipment Records

- How does the financial system ensure that records are maintained for all equipment with a unit cost of \$5,000 or more?
FIS6C
- How do you ensure that written approval is obtained before using Head Start funds to purchase equipment costing more than \$25,000 not provided in the approved budget?
FIS1B
- A concern has been identified related to property records. Physical observations and property record reviews are not consistent with the property observed. Can you explain the inconsistencies which have been identified?
FIS6C

Procurement

- Describe the program's procurement procedures for purchases below \$100,000.
FIS3C
- Describe the program's procurement procedures for purchases above \$100,000.
FIS3C



- A concern was identified related to procurement procedures. Ask the fiscal officer: Has the organization adopted the required procurement procedures (as found in 74.44(a)(1-3) or 92.36(c)(3), depending on the organization type)?
FIS3B

Rental or Occupancy Agreements

- A concern was identified related to rental or occupancy arrangements for the program entered into with related parties. How does the financial system ensure that the cost of space charged against the grant or claimed as non-federal share by the grantee does not exceed costs such as depreciation or use allowance, plus maintenance, taxes, and insurance?
FIS6E, FIS6D
- A concern has been identified related to the charges for use of space owned by the grantee, a delegate agency of the grantee or a related party to the grantee. Ask the fiscal officer: How does the financial system ensure that claims for the use or occupancy of such space are based on depreciation derived from the building cost reflected in the organization's records and excluding acquisition or renovation costs paid by the Federal Government or use allowance of 2% or less if the property is fully depreciated?
FIS6F

Audits

- Describe the organization's process for review of annual OMB A-133 audits of delegate agencies and for addressing any issues of concern identified in the audit.
FIS2A
Applies to: Grantees with Delegates

Insurance Policies

- How does the program determine what amount of insurance is reasonable to cover liability for accidents on premises and for transportation activities engaged in by the program.
FIS1E
Applies to: Private Nonprofit Organizations
- How does the financial system ensure that insurance rebates and credits allocable to Head Start are applied as a cost reduction or cash refund?
FIS1E
- A concern was identified regarding authorization of officials and employees to disburse program funds. Ask the fiscal officer: Are officials and employees authorized to disburse program funds bonded or covered by a policy of insurance including employee dishonesty coverage? Can you show me documentation of coverage?
FIS1E
Applies to: Private Nonprofit Organizations

Meals, Nutrition and Oral Hygiene

- What funds are used to pay for meals and snacks (including formula) in your Head Start and/or Early Head Start program?
NUT3.4

Performance Appraisals

- When did you receive your last annual performance appraisal? Who conducted the appraisal?
PDM12.1



-
- How are the results of your annual performance appraisal used? Do they help you identify your training and professional development needs? How does your manager help you improve skills and professional competencies?
PDM12.1

Training

-
- Describe the opportunities for ongoing training that the program provides you to help you acquire and maintain the skills and knowledge necessary to fulfill your job responsibilities and to implement Head Start Program Performance Standards in the service area. What recent opportunity do you think most impacted your competency in your job?
PDM12.1



Fiscal Observations

Notices of Federal Interest

- If the grantee has purchased a modular unit situated on property owned by a third party, have they conspicuously posted on the modular unit a Notice of Federal Interest in compliance with 1309.31?
FIS6A

Inventory and Equipment Records

- Test whether property records are accurate, complete and up to date. Select a few items from the property records, including at least one item that was purchased within the last year. For review purposes, focus on buses and other vehicles, large playground equipment, communication/electronic systems and items valued in excess of \$25,000. However, property worth at least \$5,000 must be included in the property records. Physically observe the asset to determine if the listed property is present in the program. Describe what you observed.
FIS6C
- Test whether property records are accurate, complete and up to date. Look around the program and find a few items, focusing on those that were acquired during the last year, including more costly items such as buses and other vehicles, large playground equipment, communication/electronic systems and items valued in excess of \$25,000. Review receipts, purchase agreements or other records indicating date of purchase and value of items. Trace back to property records to determine if property over \$5,000 in value is properly included in the property records. Is the inventory document signed by the person or persons who observed the inventory? Describe what you observed.
FIS6C

Physical Controls

- In conducting the onsite portion of the review, were problems noted in physical control, such as open access to check stock or purchase orders, cash not under lock and key, or open access to mechanical check signers or signature stamps?
FIS1A

Follow up on Regional Office Concerns

- Conduct follow up (document review, interview, etc) to respond to the concerns in connection with any of the grantee's OMB Circular A-133 Audits raised by the Regional Office. Record your answer in detail, and provide details on any documents that were provided in response to your question.
FIS1F
- Conduct follow up (document review, interview, etc) to respond to the concerns in connection with indirect costs raised by the Regional Office. Record your answer in detail, and provide details on any documents that were provided in response to your question.
FIS5B, FIS5C
- Conduct follow up (document review, interview, etc) to respond to the concerns in connection with cost allocation raised by the Regional Office. Record your answer in detail, and provide details on any documents that were provided in response to your question.
FIS5A
- Conduct follow up (document review, interview, etc) to respond to the concerns in connection with the non-Federal share requirement raised by the Regional Office. Record your answer in detail, and provide details on any documents that were provided in response to your question.
FIS5D



- Conduct follow up (document review, interview, etc) to respond to the concerns in connection with approval of key personnel raised by the Regional Office. Record your answer in detail, and provide details on any documents that were provided in response to your question.
[PDM10.2](#)
- Conduct follow up (document review, interview, etc) to respond to the concerns in connection with grantee's construction, purchase or major renovations of any facility raised by the Regional Office. Record your answer in detail, and provide details on any documents that were provided in response to your question.
[FIS6A](#)



Transaction Guide--Journal Entries

General Ledger

- Was the cost posted to the appropriate award period? Please describe the evidence you observed in arriving at your conclusion.
FIS5A
- Do amounts appear to be posted to the proper accounts? Please describe the evidence you observed in arriving at your conclusion.
FIS2A
- Was the journal entry supported by appropriate documentation and approved by a person other than the preparer? Please describe the evidence you observed in arriving at your conclusion.
FIS1A
- Do the grantee's fiscal records differentiate development and administrative costs from program costs to insure that development and administrative costs do not exceed 15 percent of the total grant (unless a waiver granting a higher percentage has been received)?
FIS1A

Allowable, Reasonable, Allocable

- Does the cost appear to be necessary and reasonable for operation of the Head Start program? Please describe the evidence you observed in arriving at your conclusion.
FIS5A
- Was the cost allowable under the applicable cost principles? Please describe the evidence you observed in arriving at your conclusion.
FIS5A
- Was the invoice adequately descriptive to support the allowability of the cost? Please describe the evidence you observed in arriving at your conclusion.
FIS5A
- Was the cost allocated to Head Start in proportion to the benefit received (as documented by the organization's cost allocation plan or other method of allocation)? Please describe the evidence you observed in arriving at your conclusion.
FIS5A



Transaction Guide--Payroll

General Ledger

- Do amounts appear to be posted to the proper accounts? Please describe the evidence you observed in arriving at your conclusion.
FIS2A
- Was the work performed in the award period in which the related payroll cost was charged? Please describe the evidence you observed in arriving at your conclusion.
FIS5A

Salaries, Payroll & Other Compensation

- Does evidence exist of payroll approval by a responsible organization official? Please describe the evidence you observed in arriving at your conclusion.
FIS4A
- Do the hours reported on the timesheet reflect the hours recorded in the payroll journal? Please describe the evidence you observed in arriving at your conclusion.
FIS4A
- Does the salary distribution documented in the general ledger reflect the distribution of hours documented in the personnel activity report? Please describe the evidence you observed in arriving at your conclusion.
FIS5C, FIS4A
- Was the timesheet signed by the employee or a supervisory official having first-hand knowledge of the actual work performed? Please describe the evidence you observed in arriving at your conclusion.
FIS4A

Job Descriptions

- For staff with shared duties, examine payroll records and job descriptions. Do job descriptions describe duties and responsibilities that are reflected in the distribution of wage and appear to be of benefit to the Head Start program? Please describe the evidence you observed in arriving at your conclusion.
FIS5A, FIS5C

Wage Comparability Study

- Is the employee pay rate for Head Start work supported by the wage comparability study (or comparable to similar positions within the grantee or delegate organization)? Please describe the evidence you observed in arriving at your conclusion.
FIS4C



Transaction Guide--Non-Personnel Costs

General Ledger

- Was the cost posted to the appropriate award period? Please describe the evidence you observed in arriving at your conclusion.
FIS5A
- Do amounts appear to be posted to the proper accounts? Please describe the evidence you observed in arriving at your conclusion.
FIS2A
- Did documentation of receipt or acceptance by the program exist before the invoice was processed for payment? Please describe the evidence you observed in arriving at your conclusion.
FIS5A
- Was the cost supported by a contract, if appropriate? Please describe the evidence you observed in arriving at your conclusion.
FIS5A
- Are approvals of the documents supporting this transaction consistent with the approval process described in the organization's accounting policies and procedures? Is the approver someone other than the person making the order? Was a purchase order completed (if required by the organization's policies and procedures)? Please describe the evidence you observed in arriving at your conclusion.
FIS5A
- Is procurement consistent with the organization's written policies and procedures? Please describe the evidence you observed in arriving at your conclusion.
FIS3C
- Is justification for sole source procurements documented? Please describe the evidence you observed in arriving at your conclusion.
FIS3C
- Does documentation show the organization obtained price quotations or bids as required by their own policies? Please describe the evidence you observed in arriving at your conclusion.
FIS3C

Allowable, Reasonable, Allocable

- Is the cost allowable under the applicable cost principles? Please describe the evidence you observed in arriving at your conclusion.
FIS5A

Credit Card Transactions

- Does the grantee maintain documentation with adequate description to support the allowability and allocability of the transaction? Please describe the evidence you observed in arriving at your conclusion.
FIS5A
- Is the credit card use consistent with the organization's written policy? Please describe the evidence you observed in arriving at your conclusion.
FIS5A



Transactions >\$100,000

- Did the grantee maintain current, signed and dated contracts with a description of the services to be provided, an estimate of the time required, the rate of compensation, and provisions for termination?
FIS3D
- Did the contract entered into by the grantee adequately describe the performance and any financial expectations of the grantee and the other parties to the contract?
FIS3D
- Were contracted goods and services provided and compensation/payment requirements met by both parties? Describe the evidence you observed in arriving at your conclusion.
FIS3D
- Is there a bid guarantee from each bidder equivalent to five percent of the bid price?
FIS3C
- Is there a performance bond on the part of the contractor for 100 percent of the contract price?
FIS3C
- Is there a payment bond on the part of the contractor for 100 percent of the contract price?
FIS3C
- Were bonds are obtained from companies holding certificates of authority as acceptable sureties pursuant to 31 CFR part 223?
FIS3C
- Is there a provision to the effect that the recipient, the HHS awarding agency, the U.S. Comptroller General, or any of their duly authorized representatives, shall have access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts and transcriptions?
FIS3C



Transaction Guide--Non-Federal Share

General Ledger

- Was the non-Federal share posted to the appropriate award period? Please describe the evidence you observed in arriving at your conclusion.
FIS5A, FIS5D

Allowable, Reasonable, Allocable

- Was the cost allocated to Head Start in proportion to the benefit received (as documented by the organization's cost allocation plan or other method of allocation)? Please describe the evidence you observed in arriving at your conclusion.
FIS5A
- Does the claimed non-Federal share appear to be necessary for operation of the Head Start program and used to achieve program objectives? Please describe the evidence you observed in arriving at your conclusion.
FIS5A, FIS5D, FIS5E

Non-Federal Share

- Has the grantee established that this non-Federal share donation has not already been counted towards a match for another Federal award? Please describe the evidence you observed in arriving at your conclusion.
FIS5E
- Describe the valuation methodology for this non-Federal share transaction. Provide a detailed description of the information used by the grantee to determine the value of this non-Federal share transaction.
FIS5E

Donated Time/Services

- For volunteer services, is the nature and duration of the activity, service date, location in which the service was performed and volunteer signature included in the documentation? Please describe the evidence you observed in arriving at your conclusion.
FIS5D
- Are donated services or volunteer time documented by the same methods (to the extent feasible) used to support time worked by grantee or delegate employees?
FIS5D
- For volunteer services, is the rate used based on an internal scale established by the grantee or delegate agency or prevailing wages in the labor market in which the grantee or delegate competes? Please describe the evidence you observed in arriving at your conclusion.
FIS5E
- Do volunteer records describe the provision of services benefiting the Head Start program and the service date or dates? Please describe the evidence you observed in arriving at your conclusion.
FIS5E
- Is documentation maintained to establish that the value claimed is reasonable for the type of service and the community in which the service is provided? Please describe the evidence you observed in arriving at your conclusion.
FIS5E
- For services donated by employees of other organizations, is time for comparable services to the program valued at the volunteer's actual pay rate? Please describe the evidence you observed in arriving at your conclusion.
FIS5E



- If applicable to the type of donated service, are claims supported by records identifying number of children served and the service provided?
FIS5D

Donated Space

- For use of grantee- or delegate-owned buildings, trace entries to the source records. Are claims for use of grantee- or delegate-owned space based on depreciation or use allowance derived from the building cost reflected in the organization's records and excluding acquisition or renovation costs paid by the Federal Government? Please describe the evidence you observed in arriving at your conclusion.
FIS6F
- For donated space, is the claimed value supported by a current appraisal performed by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the recipient? Please describe the evidence you observed in arriving at your conclusion.
FIS5D, FIS5E

Cash Donations

- For cash matches, has the grantee established that this claimed match is not from funds paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching? Please describe the evidence you observed in arriving at your conclusion.
FIS5E
- For cash matches, was the cash counted as match when expended, not when received? Please describe the evidence you observed in arriving at your conclusion.
FIS5E

NFS Contributions >\$25,000

- For non-Federal match contributions from a single source exceeding \$25,000, does the grantee maintain records which demonstrate that the contributions are allowable, allocable and reasonable, including the source, method of valuation and program use of the contributions? Please describe the evidence you observed in arriving at your conclusion.
FIS5E



Transaction Guide--Facilities

Construction of Facilities

- Was written approval from the Regional Office received prior to commencement of construction of the facility to which the expense relates?
FIS6A
- For construction of facilities, is there title insurance on the property and physical destruction insurance, including flood insurance, as required in 1309.23(a)?
FIS6A
- For construction of facilities, is there proof of required insurance submitted to the Regional Office, within five days as required in 1309.23(b)?
FIS6A
- For construction of facilities, is there a compliant Notice of Federal Interest filed on record to protect the federal interest in the facility, as required in 1309.21?
FIS6A
- For construction of facilities, is there correspondence or other documents showing that a copy of the recorded Notice of Federal Interest to the Regional Office as required in 1309.40?
FIS6A
- For construction of facilities, if the property been pledged as collateral to any bank of lender for the purpose of securing a loan, review the loan agreement to determine whether:
 - Permission of the Regional Office was received in advance of encumbering the property and if the loan agreement contains the provisions required in 1309.22?
 - Federal interest in the property was subordinated to the interest of the lender with the written consent of the funding agency? and;
 - Do the loan documents provide the funding agency with required rights in the event of default, withdrawal, or termination?FIS6A, FIS6D
- For construction of facilities, does the grantees financial reporting separately identify expenses for one-time funds awarded for construction, purchase, or major renovation?
FIS1A
- For construction of facilities, did the grantee obtain documentation from construction contractors and subcontractors to ensure compliance with the Davis-Bacon Act prevailing wage requirement?
FIS6B

Purchased Facilities

- For a purchased facility (other than a modular unit), is there a compliant Notice of Federal Interest filed on record to protect the federal interest in the facility, as required in 1309.21?
FIS6A
Applies to: Purchased Facilities (Non-Modular Unit)
- For a purchased facility, does the grantees financial reporting separately identify expenses for one-time funds awarded for construction, purchase, or major renovation?
FIS1A



- For a purchased facility, was an application submitted and written approval from the Regional Officer received prior to purchase of the facility to which the expense relates?
Applies To: Purchased Facilities (Modular or Non-Modular Unit)
- For a purchased facility, is there title insurance on the property (real estate) and physical destruction insurance, including flood insurance, as required in 1309.23(a) on the acquired facility?
Applies To: Purchased Facilities (Modular or Non-Modular Unit)
- For a modular unit located on property not owned by the grantee, does the grantee have an easement, right-of-way or rental agreement to allow it sufficient access to the modular unit as required in 1309.31(b)?
Applies To: Purchased Facilities (Modular Unit)
- For a purchased facility, is there correspondence or other documents showing that certified copies of the deed, lease, loan instrument, mortgage or any other legal document related to the purchase of the facility, including the recorded notice of federal interest, were sent to the Regional Office within 10 days of their execution as required in 1309.40?
Applies To: Purchased Facilities (Modular or Non-Modular Unit)
- For a purchased facility, if the property been pledged as collateral to any bank or lender for the purpose of securing a loan, review the loan agreement to determine whether:
 - Permission of the Regional Office was received in advance of encumbering the property and if the loan agreement contains the provisions required in 1309.22?
 - Federal interest in the property was subordinated to the interest of the lender with the written consent of the funding agency? and;
 - Do the loan documents provide the funding agency with required rights in the event of default, withdrawal, or termination?

FIS6D

Applies To: Purchased Facilities (Modular or Non-Modular Unit)

Major Renovations of Facilities

- For major renovation to property owned by the grantee, is there a compliant Notice of Federal Interest filed on record to protect the federal interest in the facility, as required in 1309.21?

FIS6A

Applies to: Major Renovation to Property Owned by the Grantee
- For major renovation to property owned by the grantee, was a copy of the recorded Notice of Federal Interest and proof of submission to the Regional Office?

FIS6A

Applies to: Major Renovation to Property Owned by the Grantee
- For major renovation to grantee owned property, if the property been pledged as collateral to any bank of lender for the purpose of securing a loan, review correspondence to determine if permission of the Regional Office was received in advance of encumbering the property and if the loan agreement contains the provisions required in 1309.22.

FIS6A, FIS6D

Applies to: Major Renovation to Property Owned by the Grantee
- For major renovation to property not owned by the grantee, does the grantee's lease or other arrangement for occupancy provide the funding agency with the required right to designate a new lessee in the event of a default, withdrawal or termination?

FIS6A

Applies to: Major Renovation to Property Not Owned by the Grantee
- If the major renovation is on a facility owned by a third party, does the grantee have a lease or other arrangement which protects the Federal interest in the facility and ensures the grantee's undisturbed use and possession of the facility as described in 1309.21(d)(1) and (2)?



FIS6A

Applies to: Major Renovation to Property Not Owned by the Grantee

- For major renovation to property, is there correspondence or other written approval by Regional Office of the lease or other right of occupancy received before renovations were commenced?

FIS6A

- For major renovations to property, does the grantees financial reporting separately identify expenses for one-time funds awarded for construction, purchase, or major renovation?

FIS1A



Fiscal Officer--Staff File Review

Staff Training and Development

- Review staff files or training records for evidence of training opportunities attended by staff and volunteers. Briefly summarize the types of training offered.
PDM12.3
- Indicate the date of the most recent performance review.
PDM12.1



Fiscal Service Area Summary Analyses

Summary Analysis: Overall Service Area Summary

- Summarize your general impressions of the program's performance in the area of Fiscal Services. This summary should describe the grantee's systems for ensuring high quality services and compliance. Analyze the data collected in this area and describe how and why the systems that support this service area work well or need improvement. Focus on developing a summary that explains how the grantee's systems, such as communications, ongoing monitoring record-keeping and human resources support this area. Use the summary to tie together what was learned while completing the protocol in this area and to provide later readers with a rich assessment of the grantee. This summary will be included in the final report to the grantee.

Summary Analysis: Human Resources

- Summarize the program's process of ensuring staff are highly qualified and trained in the area of Fiscal Services. A comprehensive explanation of this system should include a paragraph describing the system and its effectiveness. Include the following information as part of your summary:
 - Adequacy of the organizational structure that supports management of the service area
 - An assessment of the program's hiring and training practices that support effective staff development and performance
 - Whether staff are qualified to oversee and implement services
 - Information on current vacancies and if (and how) such vacancies are affecting the quality of services providedIn addition to the above items, determine if there are any patterns in the data you collected. Write a summary that will help the team members and OHS understand the effectiveness of this system. This summary is an important part of the information that will be used by OHS to determine the quality and enhance the grantee's performance.

Summary Analysis: Reporting

- Summarize the program's process for reporting in the area of Fiscal Services. A comprehensive explanation of this system should include a paragraph describing the system and its effectiveness. Include information on how well the reporting system helps the program:
 - Ensure accuracy, regularity, and timeliness of reports
 - Control program quality
 - Maintain program accountability
 - Advise governing bodies, policy groups, and staff of program progressIn addition to the above items, determine if there are any patterns in the data you collected. Write a summary that will help the team members and OHS understand the effectiveness of this system. This summary is an important part of the information that will be used by OHS to determine the quality and enhance the grantee's performance.



Summary Analysis: Internal Controls

- Summarize the program's process for establishing and implementing strong, appropriate internal controls to safeguard Federal funds. A comprehensive explanation of this system should include a paragraph describing the system and its effectiveness. Include the following information as part of your summary:

- Whether the governing body is independent with appropriate expertise engaged in fiscal oversight
- Whether the program has competent staff providing fiscal oversight
- The types of accounting controls in place to ensure the organization uses Head Start resources for authorized purpose
- The existence of adequate controls over cash and other assets
- Whether the organization has demonstrated a capacity to take effective, timely corrective action to address the findings of auditors and its funding sources

In addition to the above items, determine if there are any patterns in the data you collected. Write a summary that will help the team members and OHS understand the effectiveness of this system. This summary is an important part of the information that will be used by OHS to determine the quality and enhance the grantee's performance. This summary is an important part of the information that will be used by OHS to determine the quality and enhance the grantee's performance.

Summary Analysis: Service Area Strengths

- Summarize program strengths noted in Fiscal Services. Describe any practices that were found to be new or innovative and had a positive impact that helped the grantee overcome challenges and provided greater/improved service quality or surpassed established performance indicators. Some examples of broad categories of program strengths include (but are not limited to):

- Collaborations with local/community-based services
- Exemplary fiscal practices to ensure the safeguarding of Federal dollars
- Highly successful efforts to address and improve school readiness
- Expansion of the program and increased accessibility
- Extraordinary accommodations for children/families (e.g., children with disabilities)
- Innovative program design and management